

Challenge

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a personal note

from the editor

*on trucks and horses, past
pleasures and future prospects*

TALK ABOUT "the good, old days" has always irritated me, though not without a twinge of conscience over my intolerance of other people's fondness for the past. Fortunately, an eighty-five-year-old man recently helped me to acquire a new understanding of this business of nostalgia. I still do not believe that the good, old days were better days, but now I understand why some people think so.

The elderly gentleman I refer to was driving uptown with me on Manhattan's waterfront West Street. Even the most avid modernist must admit that at 10:30 in the morning this ride is a grueling test for man and vehicle alike. Anyone who can recall the days when only a few horse-drawn wagons and drunken mariners rolled over those streets must be excused for remarking about the present-day mess. My venerable companion did not hesitate to make several such remarks.

His choicest words, however, were inspired by the appearance of a mounted policeman dutifully reining a path through the mass of trucks and cars. Nothing could have more dramatically demonstrated the two generations separating me from the octogenarian than the way each of us reacted to the presence of the stirrugged law. My only thought was to make certain that I was not committing some mid-twentieth century traffic offense. The old-timer's eyes lit up with nineteenth century admiration for the policeman's horse.

"Now there is beauty," he observed (nostalgically). "Not these dirty, smoky trucks with their whining motors. Look at the way he moves, so agile and yet so sure-footed, never shying in spite of all the bustle and honking and tooting.

"Do you know the difference between the whinny of a horse and the whine of a motor?" he continued. "I'll tell you. When a horse whinnies, he's saying something. A whinny is a sound from a living creature, uttered in contentment or in complaint—but always the work of God. When a motor whines, it is saying nothing. A whine is the sound of metal friction and of captured power looking for the easiest way out. A truck has no flesh, no blood and no feelings—not

for you or anyone else or anything. A truck is a symbol of our ability to push, load, carry and speed ourselves straight to you-know-where.

"I remember the good, old days, when you could ride home in the fresh air, talking to your team of horsepower all the way and getting an answer in return, if you knew how to listen. And when you took that last turn one mile away from home, the animals would instinctively quicken their pace and start a running conversation with their stablemates one mile away. Yes, that was peaceful beauty. A man and his horses had a mutual stake in the world then.

"I know you're going to tell me times have changed and we need more horsepower to do today's work than the poor horse can provide. That's true. But are you really better off now? I'm not so sure. The horse was part of a flesh and blood era—one full of problems created with God's consent. You are living in an era of mechanical problems created by man's confusion.

"Just look at that horse! Your children's children will have to go to a zoo to see such an animal. They won't know enough to get the inspiration I just got by looking at that horse."

ANYTHING I might have said would have been futile and surely ill-timed. The old man's nostalgia was touching—and very revealing. His active experiences rooted in the past and being a nonparticipant in the affairs of the present, naturally he saw "the good, old days" as the better days in every respect.

But what of the new-timers who sometimes romanticize the past? It seems to me that every generation lags in fully appreciating the wonders of its own age. The legacy of nostalgia willed by our parents is not easily ignored, and sometimes reverence for days gone by is used as an escape from present-day responsibilities. But the future depends on those who bend to the task at hand, those who find new beauty in every new development. Such discernment makes the difference between progress and confusion.

Today's traffic manager, a really good one, with a poetic soul finds as much beauty in a fleet of trucks as an old-timer finds in horses. Certainly a poetic soul and an appreciation of beauty make of man an august creature. The things that inspire us, however, must change with change. When we develop a generation that fully finds the whirl of a motor at least as beautiful as the whinny of a horse, then we shall have made our social adjustment to the pressures of the electronic-atomic-supersonic age. A horse by any other name is still a horse—a fact I admit with some regret.—H.B.



CHALLENGE NOTES

*Economic problems and the
"solutions" of economists*

MORE OFTEN than any other branch of knowledge, economics tends to get blamed for the errors of its practitioners. If a physician should mistakenly diagnose German measles as chickenpox most people would agree that the physician is at fault, not the state of medical science. Yet, when a well-known Australian economist predicted a major U.S. depression for 1954, and when that depression dramatically failed to materialize, there was a public outcry against "academic gobbledygook." Journalists, businessmen and even some economists saw an opportunity to denounce armchair theoreticians who, although they had no practical business experience, took it upon themselves to make sweeping economic predictions.

Some of this furor was, no doubt, justified. Economists, like other human beings, do sometimes pretend to knowledge which they do not possess. While we have made great advances in the

study of business cycles during the last two decades, no economist could say that we know all (or even most) of the factors responsible for depression, inflation or "normal" growth. Yet, given a specific situation, economists have been known to get themselves out on a limb; and the result of such daring has not always been happy, either for themselves or for the science they represent.

What Is Economics?

BUT WHY this universal tendency to blame the errors of economists on economics? We suspect that the answer to that question lies in the fact that most people have only the haziest notion of what the function of economics really is. Is it a science that tells us how the economy *actually* operates or how it *ought* to operate, or both? Even more important, what questions *can* it answer, what questions *can* it

help us to answer and what questions are completely beyond its ken?

Since economists themselves are by no means agreed on these points, it is hardly surprising that the rest of us should also be confused. In a sense, we suppose, the very subject matter of economics is to blame. When a doctor discovers a new drug, the usefulness of that drug can be easily demonstrated. The discoveries of the economist, as Dr. Black points out in his interview (*see page 30*), are not nearly as easy to prove.

No "Single" Cure

THERE'S another difficulty. Economics deals with an aspect of life in which we are all deeply involved. We all have definite ideas on such matters as taxes, prices, wages, employment, etc. When, as we all hope, medical science finds a cure for cancer, everybody stands to benefit. Economic "discoveries," unfortunately, are not like that at all. For one thing, there is no single "cure" for such economic "diseases" as inflation and deflation, surplus and scarcity, etc. For another, economic discoveries can only tell us about the relationship of economic phenomena in terms of past experience; and history does *not* always repeat itself. If

a vaccine immunizes Joe Brown against smallpox in 1955, it will probably also do the job in 1960. In economics, there is no such certainty. Even if it seems unlikely that we shall ever have another depression like the one we had in the thirties, we can never be certain that our hard-won knowledge of that depression, and what caused it, will apply to the very different world of the fifties and sixties.

"Normalized" Agriculture

MOST important of all, the discoveries of the economist often have a direct bearing on our jobs, our ideals and our very way of life. For example: economists keep pointing out that there is a direct relationship between agricultural price subsidies and farm surpluses. But this relationship, which can be demonstrated statistically, affects the very livelihoods of some six million farm families. In effect, it tells them that the only way to "normalize" agriculture is for the less efficient among them (those who cannot sell their products at competitive prices in the free market) to get out of farming. Unlike a cancer cure, some people *are* going to suffer from this economic discovery. For these people, economics is indeed the "dismal" science. ■

The Give and Take in Economics

by Arthur R. Upgren

The net effect of any economic activity involves a full accounting of the positive and negative factors always present in the system

THERE IS A double meaning to almost everything in economics—not only in the workings of forces but in the statistics which measure those forces. For this reason, among others, unfriendly critics often call economics the science of duplicity.

Actually, there is nothing sinister about this "duplicity," nothing intentionally misleading about the double meaning idea, although it does take some getting-used-to at first. Here is a simple example: on a day when *sales* of stock on the New York Stock Exchange total two million shares, the total *purchases* must also come to two million shares. Thus, while most people do not quite think of it in this way, *buying* carries as much weight as *selling* in the rationale of the economic process. Obviously, it is impossible for anyone to sell stock (or anything else), unless someone is willing to buy. Any attempt to evaluate the total

effects of the exchange would hit wide of the mark if both sides of the process—the double meaning—were not examined.

Economics would lose some of its aura of mystery and become more of a common-sense proposition if this double meaning idea were more generally understood. Unfortunately, most of us find it rather difficult to look at economic activity from more than one point of view, and sometimes we do ourselves an injustice. Almost everyone, for example, has a bias against debt. On the other hand, we would all like to have some nice assets in the form of gilt-edged bonds. Rarely do we stop to ask ourselves: how is it possible to gain access to such bonds (good), unless someone else is willing to issue them, thus enlarging his debt (bad)?

This seeming element of Dr. Jekyll and Mr. Hyde creeps into all aspects of economics. Sale and

purchase, debt and asset, income and expenditure—all these are mutually dependent ideas.

More than one hundred years ago the French economist, Jean Baptiste Say, used these economic paradoxes to support his explanation of the circular flow of wealth within a nation. In what has since come to be known as Say's law, he stated that "production finances consumption," which comes very close to saying that "production equals expenditures." Actually, this law might better be termed an insight, or hypothesis, since Say did not have the statistical data with which to back up what he said. Also, he could not foresee some of the contingencies and special circumstances that might upset his generalization.

Still, it is this kind of thinking that has given rise to one of the most important and useful concepts in modern economics: the gross national product. GNP is the money value of all the goods and services produced within the United States in a year—all the farm products, automobiles, houses, tobacco, TV programs, surgical operations, insurance policies, etc. Everything that anybody adds to the pile, thus creating value, is part and parcel

of the GNP. But what else is happening while all the producing is going on?

WE OFTEN hear the same GNP pile spoken of as gross national expenditures. This is where Say's insight can help us to understand the economist's logic. If the GNP pile is a "that's-all-there-is, there-isn't-any-more" idea, then obviously we can spend money only on those goods which are to be found in the pile. Since most of the time we buy all that is produced, GNP and gross national expenditures come to the same thing. What Say helps us realize is that as goods flow into the GNP pile, dollars flow outward toward all the factors of production—people, land and capital goods—thus providing the income to be spent on available products.

This process has been used by economists to help explain the circular flow of money and goods within the economic system. The circle works something like this: first, the production of goods and services generates income for those who contribute to production. This income, in turn, is used to buy the total product (under ideal circumstances) and thus becomes total expenditures. If nothing happens to upset the circular flow, the expenditures will move back into business as income, in turn to be expended on

Arthur R. Upgren, Dean of the Amos Tuck School of Business Administration at Dartmouth College, is author of *Economics for You and Me*.

the production of more goods and services. Thus, the circle is repeated again and again.

Once we see the double aspect of everything that goes on in the circle, it is easier to understand why we cannot say that such things as debts are always bad and assets are always good. Good and bad become relative to what is accomplished within the circle. They are absolute only when we stop to consider whether the circular flow is in an *expanding* arc or one that is *contracting* or is static. The size of the circle will be determined by the wisdom with which the factors of production, income and expenditure are applied.

LET US consider, for example, what happens when part of the income is saved. If we put some of these funds in the cupboard, that is, take them out of circulation, then we are upsetting the ratio between total expenditures and the GNP pile. In this case, in order to sell all the goods that have been produced, either prices will have to be lowered to encourage sales, or production will have to be slowed until inventories have been cleared. In either event, the circular flow is disrupted, and some people will suffer a disruption in the normal flow of their income.

If, on the other hand, we pass

on our savings to those who are willing to invest in plant and equipment, we increase the potential of the flow in goods and services and increase income opportunities. The circular flow remains fairly smooth.

Unfortunately, things do not always work smoothly. Inflation, for example, is a dramatic illustration of what happens when there is an imbalance between the expenditure and income side of the ledger. Inflation occurs when there is more money available than there are goods and services to be bought. The old-fashioned inflations were usually the result of printing too much money—money being easier to print than goods are to manufacture.

We now have more subtle ways of creating inflation. In recent years, the money supply has been inflated because of an overly rapid expansion of bank credit. Since the financial transactions of most businesses and individuals are conducted through checking accounts, the banking system can add to the supply of money by creating bank deposits (credit) instead of the old-time greenback.

During the years from 1940 to 1948, when prices in the United States almost doubled, the banks loaned the Federal Government about one hundred billion dollars. In exchange, the banks were given

Government bonds to add to their assets. Thus, both the Government and the banks had one hundred billion dollars of new money to work with, whereas previously the sum had not existed at all. Result: this large amount of new money barged itself into the circular flow, first as production which largely could not be useful to the civilian population, and then as income, mostly to civilians who wanted civilian goods.

NATURALLY, everyone knew what was going to happen, so price controls were imposed to hold the price line on those goods which were still available. This was a period of "suppressed inflation"; it had a lot in common with what psychoanalysts would call a "suppressed desire." As soon as goods became more plentiful and most price controls were lifted, this pent-up demand, backed by piled-up purchasing power, broke loose. The inflationary effects were particularly sharp in the period from 1946 to 1948.

This is not to suppose, however, that increasing the nation's money supply is always bad. Indeed, one of the most important problems in economics is just this: when and at what rate should the money supplies be increased so that their entry into the circular flow will result in higher production, greater income and an improved

standard of living? This is a basic problem, for now we are concerned with how to have an expanding economy—how to enlarge the circle traversed by the circular flow—without inflation.

The work force in the United States is growing today at an average of 850,000 people per year—or 1.5 percent annually. In addition, every worker is producing more—steadily more at an average annual rate of 2.5 percent. In order to absorb our growing labor force and at the same time make economic use of our increasing productivity, it is estimated that we should expand our money supply through credit mechanisms at an average annual rate of about 4 percent.

If, according to the circular flow we have described, income earned in the productive process should be returned into the circular flow in the form of expenditures, then it seems clear that the only way we can make room in the circle for more people as they enter the work force is to enlarge the circle itself. If money supplies are increased while the circumference of the circular flow is increased, then the flow will not be distorted.

THIS brings us to a final instance of duplicity in economics, one that is very close and important to all of us—namely, the factors

that determine our personal incomes. All of us look forward to making more money, and the fatter the pay envelope, the better we like it.

What we sometimes forget is that our *income* is the firm's *expense*. Now, if the bigger paycheck is the result of a bigger output due to a more efficient organization within the company, or new production techniques, or greater skill or more effort on the part of employees, then the circular flow is smooth. Everybody benefits from the fatter paycheck. But if the raise in salary occurs without a commensurate increase in output, then the circular flow is impeded. The firm's expenses have been increased while its profit potential has been lessened. Left in such circumstances for any length of time, such a firm can die—thus further distorting the production, income and expenditure picture.

To forestall such an eventuality, the firm might decide to recoup its profit level by increasing prices. Such an increase in prices accompanying an increase in wages could leave everybody where he started. But it could also lead to a drop in sales, since some people

will not pay the higher price. If that happens, the firm must cut down production, and some workers will lose their jobs. The balance between income and expenditures is thereby restored, but at the cost of increasing the number of unemployed.

Let us look at the problem from the point of view of the workers who got a raise. Their purchasing power was increased, it would seem. But if there isn't a corresponding increase in production, the supply of money exceeds the supply of goods in the circular flow. The resulting inflation negates the raise in pay. A smooth flow will be maintained only when wage increases are accompanied by sufficient increases in productivity.

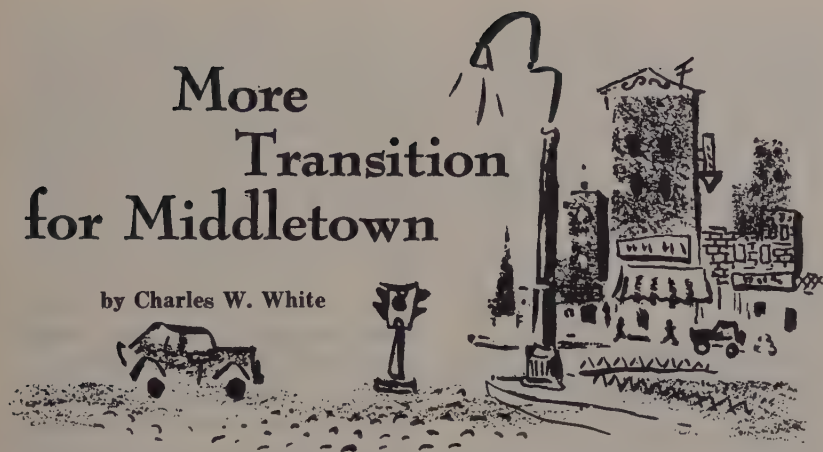
Duplicity and double meanings exist everywhere in economics, as we have seen. This does not mean that inevitably we shall be duped or misled, that there is no escape from the caprices of the economic process. Rather, an understanding and appreciation of the double meanings can help us to achieve a large degree of control over our economic life—to provide for our wants in the most agreeable and effective manner. ■

* * *

IF YOU DON'T WANT to invite thieves, before you go on vacation leave the drapes open, the shades up and an inside light burning in a back room. Any movement inside the house can then be seen by neighbors.

More Transition for Middletown

by Charles W. White



The "typical" American city has experienced some typical changes

WYSOR MARSH and I sat in his little corner office on the second floor of the Wysor Block talking about our home town and how things have changed. The building, erected in 1906 by his grandfather, is right across from the Delaware County courthouse and at the intersection of Main and Walnut Streets, the chief business thoroughfares of Muncie, Ind. Wysor sat by his roll-top desk and looked out the window; he smiled nostalgically as something came to his mind.

"Do you know what I miss most?" he said. "I miss those old streetcars that used to turn the corner down there, clanging their

bells and grinding along the tracks. This town has changed a lot, I'll tell you, from the days when we used to go fishing by the High Street Bridge."

He was speaking, of course, from the perspective of seventy-one year's residence in the eastern Indiana town. Muncie was a gas boom center when he was a boy; it grew up from farm trade to manufacturing in the early 1900s. Suddenly, when the population reached some 40,000, publication of a book catapulted Muncie into national prominence as the *typical* American town. People still refer to "that book"—although, actually, there were two books.

Robert S. Lynd and his wife, Helen Merrell Lynd, published their famous sociological study, *Middletown*, in 1929. Six years

Charles W. White, a resident of Muncie, Ind., reports regularly on business and economic developments for several publications.

later Dr. Lynd came back with a group of eager young field workers from Columbia University and Sarah Lawrence College for a brief look-around to see what the depression had done to Muncie. In 1937 the Lynds published *Middletown in Transition*. Even in the thirties, they noticed that Muncie's vaunted friendliness—the Middletown spirit—was undergoing pressure. Middletown, they said, seemed to be "having greater difficulty in taking a positive view of human nature . . . striking more frequently a note of wary cynicism about people's actions and motives."

Muncie's ears burned more than a little, especially when after *Transition* was published, a picture magazine came out with a series showing, among other things, ramshackle homes in Whiteley, a Negro section. Yet, the late Wilbur E. Sutton, editor of Muncie's evening paper (I was working there at the time) wrote that what the Lynds said was basically true, and he thought it would be good for Middletown citizens to read "that book," if only to be jarred out of their complacency.

In retrospect, what seemed to bother townspeople most was the Lynds' almost surgical probing into their social life and their accepted beliefs. The Lynds found a wall-like division between the

working class and business class. Moreover, they found life in Middletown terribly grim, "immersed in immediacies of getting a living." They revealed conflicts—the ideal of friendliness versus the facts of economic and social snobbery, for example—that nobody wanted to think about.

HOW MUCH of "that book" would apply to the Muncie of today?

Wysor Marsh, the old-timer, gives at least one answer when he says you don't know anybody on the streets any more. Most Muncie people I consulted for this report believe the Lynds simply wouldn't recognize their "typical" American city if they were to visit the place now, a quarter-century after publication of their main volume. But the Chamber of Commerce is proud of the fact that Muncie is still "typical," though much changed. Muncie is a center for national marketing surveys.

"Muncie isn't anything like it used to be," says Leon Parkinson, managing editor of the Muncie Evening Press (the Morning Star and Evening Press have merged).

"The physical growth of the city has taken it out of the average small-town class. Culturally, the growth and expansion of Ball State Teachers College has made it a university town, more or less. Our industries have shifted from

local ownership to national corporations like General Motors, Borg-Warner and Owens-Illinois Glass. Since World War II, the housing boom has pushed the city out into the countryside. People are living better. Everybody has a car and TV."

Statistics back this up. The 1950 census gave Muncie a population of 58,479. But the Chamber of Commerce, basing its figures on a reliable national consumers' survey, gives the city population now as 63,300, an increase of 8 percent in five years. As for Ball State Teachers College, a sad-looking institution concentrated mostly in one building when the Lynds were here, enrollment has jumped from 1,239 in 1937 to 3,845 for the 1954-55 autumn quarter. It isn't unusual to see an East Indian or Hawaiian in the dining room at the new student center. Once principally aided by the Ball family (X family to the Lynds), the college now is mainly state supported.

Nearby, at the Ball Memorial Hospital, built originally from an X family grant, a new wing is going up, paid for by the citizens themselves. At the Ball glass factories on the opposite side of town, one finds things vastly changed and modernized too—principally in the fact that new managers of the professional management-trained type have

been brought in. The entire Ball glassmaking enterprise has been diversified. Muncie now gets considerable economic leadership from bright young men Wysor Marsh may not know—"the new people."

One hears about the new people all the time. Even when the Lynds were here, the mass migration of labor from the South had started. They were called "hillbillies" then, but that term seems to be less popular these days. Farmers who came up from Tennessee and Kentucky to work in Muncie factories have built themselves pleasant, modern homes in the suburbs; their children have acquired Northern accents in Muncie's schools. Even on the higher social levels, Middletown seems to have assimilated its newcomers without strain.

INDUSTRIALLY, the greatest change since *Middletown in Transition* was published probably has to do with the status of labor—including, of course, large numbers of those once-maligned hillbillies. When the Lynds surveyed Muncie during depression days, they found union officials gloomy enough. The Labor Day parade had been abandoned. Total union membership was estimated at barely 1,000. The Chamber of Commerce now estimates that out of 18,000 manufacturing workers

in the Muncie area, at least three-fourths are organized. The Lynds' figure of around 1,000 was before the CIO, of course. George McMann, at the AFL's Labor Temple, figures there are 8,000 members in his union. A newspaper estimate for the CIO in Muncie is 10,000, with at least half that many more in the surrounding areas, meaning workers who "live out and come to town." Significantly, the CIO recently dedicated an elaborate new home on South Walnut Street, and Mayor Joe Barclay seeks labor leaders' views as well as those of the X family when important civic questions come up. Whether labor and management are entirely happy with all this is a matter of conjecture. There were three or four strikes in progress when this was written with perhaps more in prospect at Muncie's automobile plants.

Wysor Marsh noted that Muncie's physical growth was the biggest change he could see in recent years, accompanied by new buildings everywhere, chain stores on Walnut Street where the old privately owned stores used to be, and "everybody moving out to the edge of town."

Here is a whopping economic development, when one considers that Muncie's nearly 8,000 relatively new houses have appeared in a community that has, accord-

ing to Phil Acker of the Chamber of Commerce, around 20,000 households. Average spendable income per household, Acker says, is \$5,882, which is about 12 percent above the national figure. This streamlined 1955-model Middletown is, obviously, a city of homes. Cree Gable, veteran Muncie furniture dealer, believes devoutly in the value of this trend.

"This is the era of the strong home," he said not long ago. "As never before, people are putting their money into housing and equipment for their homes."

BUT Capt. Al Guzzi, head of Muncie's Police Juvenile Division, has his doubts. With the strong home, he says, has also come the not-so-often-mentioned weak one.

"Divorces, families moving around, parents downtown at the beer joints," he observes. "Broken families, here the same as everywhere—that's what brings these kids to my department as juvenile delinquents."

And Sarah Huffer, a mother of two who has lived in Muncie all her life, notices something else:

"It looks easier, but it seems to me living is really getting tougher. Inflation, war scares all the time, the A-bomb and all. Everyone is under tension. And everyone seems compelled to do something, to make some sort of change. People used to stay put.

They're not that way any more."

Maybe something placid and comfortable has gone out of life in prosperous, up-to-date Middletown, where everybody has a car and TV and is probably thinking about moving out to a fancy new suburb. Now that we've made so much progress on the physical side, perhaps we ought to try to calm down a little and get ourselves and our world figured out better. There is evidence that a lot of people in Muncie are trying to do this. Church attendance, for example, is at an all-time high.

NOR DOES Middletown seem so "grim" from the worker's standpoint as it did to the Lynds in the twenties. They reported factory employees toiling nine and a half hours per day. Nobody works in the factories on Saturdays any more, it seems. The long week-end is standard, as is the 40-hour week. Downtown stores open at nine instead of the once-traditional eight o'clock; clerks get off Wednesday afternoons and work Friday evenings instead of late Saturday night as was the custom formerly, and several leading stores are closed Monday mornings. One negative result of Middletown's weekends: the auto crash deaths on page one of the Monday newspapers and the Monday morning police court lineup. On the plus side, leisure-time

facilities keep increasing. Mayor Barclay is proud of the new city-owned swimming pools and the improved, nonsegregated parks. For businessmen, there is a new country club southeast of town.

Moreover, the old class distinctions based on income appear to be dwindling, although social life remains, as the Lynds found it, complicated by myriad personal relationships—where you work, where you live, where you go to church, and the like. The big difference now, as a leading corporation lawyer put it, is this: "If you make more than ten or fifteen thousand dollars a year, the Government takes it." Jim Rhodes, Cadillac dealer, says he often sells Cadillacs to factory workers: "Sometimes to a machine operator, more often to a foreman or a man and his wife who both work, and occasionally to an ordinary 'Joe' who just wants one."

It is possible, thus, to live pretty well in today's Middletown. One gets the idea, down on Main Street, that Muncie will make it one way or another—just like other towns and cities of the country.

"It's still about as nice a place to live in as I know of," Wysor Marsh concluded, looking out at the stream of automobiles on Walnut Street, where the street-car tracks used to be. ■

Which Kind of Insurance?

by Holgar J. Johnson

A particularly American pattern of social security is developing out of the joint growth of publicly and privately financed insurance

THE TWO DECADES during which life insurance has achieved its greatest growth and most emphatic public acceptance are the same two decades during which the Federal Social Security program has been in operation. It was in 1935 that the Old Age and Survivors' Act was adopted in the United States. To some, the parallel and simultaneous growth of private and public insurance, based on entirely different philosophies, might seem paradoxical. Actually the establishment of Social Security and the growth of privately managed life insurance derived impetus from the same source—an increasing desire on the part of people to ensure security for themselves, especially in view of the distressing experiences with the depression.

Life insurance today is a basic factor in the security plans of

four out of five families; more than 93 million Americans own life insurance. It is significant that in terms of dollars, the largest gains have been in policies individually purchased. The amount of ordinary and industrial life insurance combined represents 240 billion dollars, or more than 70 percent of the total 339 billion dollars outstanding. This is not to minimize the role of group life insurance. But experience has shown that the availability of this form of protection, the cost of which is usually shared by employer and employee, has led people to buy additional life insurance of their own.

The life insurance companies have rapidly extended the application of the group principle to accident and sickness insurance, including now major medical coverage, and through group annui-

ties and other insured pension plans they are providing retirement income for employees. There have been equally significant developments in better adapting individual policies to individual needs.

None of these changes have been revolutionary and most of them represent a refinement of policy provisions or readjustment in marketing techniques on the part of the insurance companies. But taken together, they have made life insurance a more flexible and useful instrument in family financial planning.

SOCIAL INSURANCE came to the United States later than to most countries of Europe, as was natural in view of the greater reliance placed here on individual initiative and responsibility. It has been a traditional philosophy in this country that the Government should do nothing for the people which the people could do better for themselves.

However, the progressive industrialization of America, the lessening ability to "live off the land" and the increasing family dependence on money income introduced certain hazards to the ordered pattern of family living. The individual had little control over these hazards and he was

Holgar J. Johnson is president of the Institute of Life Insurance.

not prepared to cope with them. This inability was strikingly brought home during the depression era. After extensive study of other social security systems and consultation with qualified experts, unemployment insurance and other social security provisions were established. The purpose of these plans was to provide a basic level of security below which no member of society would be allowed to fall.

Initially, Social Security was set up on a reserve basis comparable to that of life insurance. It shortly became apparent, however, that the piling up of reserves contributed little to the general operation of the system and presented an investment dilemma. If the investment of reserve funds were limited to government bonds, this could lead to an automatic expansion of government debt. On the other hand, the investment of these reserve funds in industry would lead to a degree of government domination inconsistent with the American enterprise system, and perhaps, even to state socialism.

The Social Security system as it exists today operates with the benefit of a moderate reserve, but otherwise, substantially on a pay-as-you-go basis. This means, in essence, that payments to retired workers and others entitled to receive benefits under the system

will be met mostly out of taxes on those currently employed. In paying these taxes, today's workers are building towards benefits which will have to be met by future taxation. Obviously, under this system, and more particularly since social insurance does not relate benefits directly to contributions, today's taxes are not a true measure of tomorrow's costs.

Over the last twenty years, Social Security has come to be accepted as a significant addition to the security provisions of America's families. Certain contingencies that used to be handled on a catch-as-catch-can basis are now met in orderly fashion. By paying taxes to the system, individuals become entitled, without proof of need, to benefits for which formerly some might have turned to charity. Surely, this is consistent with the maintenance of the dignity of man, upon which we Americans have placed so much stress and which represents a strengthening of our social fabric.

From the record to date, it would seem that life insurance and Social Security (at least in its present form and level of benefits) are compatible. And if Social Security is held to its original purpose of providing a basic floor of security established at the approximate level of subsistence, there seems to be no reason

why the two systems should not remain compatible in the future and Americans benefit from both.

There is, however, some reason for concern when one appraises the possible future turns in Social Security. This concern arises from the fact that Social Security subjects so large an area of family security to political determination. The hazard is accentuated by the fact that the full impact of benefit increases, authorized now, will not be felt by our society until a generation later.

THE Social Security Act has been on the books only twenty years. Yet, benefit levels have been revised upward and eligibility requirements liberalized on several occasions. The income base to which the Social Security tax applies has been moved up, first from \$3,000 to \$3,600, and then to \$4,200. Thus far, these changes have not been a product of purely partisan measures; they have had the support of the majority of the members of both political parties.

But the question that inevitably arises is this: Is there a danger that future increases can become a matter of political competition, with candidates promising the moon and making of Social Security something far beyond its original intent—something perhaps that cannot be supported by the economy?

It is the cost factor that concerns life insurance men whenever an increase in benefits is proposed. Social Security is still so new that America has not yet had a chance to feel the full impact of its costs. This will come as more and more people begin to draw benefits. The worker has already seen his OASI withholding tax go from \$30 to \$84 a year—that is, if his earnings have been at least equal to the maximum amount to which the tax applies. Under the existing law, the current rate of a 2 percent tax will eventually go to 4 percent; and, of course, the tax paid into the worker's account by his employer will grow correspondingly, making an aggregate levy of 8 percent.

The Social Security system has operated, thus far, in an environment of an expanding economy. What level of benefits can safely be supported if contraction were to set in? How much higher can benefits go before the worker's freedom of choice in apportioning the fruits of his own labor is seriously restricted? If the benefits prove disproportionately high, would the government bring about inflation to meet them? Or, conversely, would the taxpayers re-

bel and demand a reduction in tax-payments—forcing a reduction in the benefits, as well?

IN THE last analysis, life insurance men want Social Security to work—but to work to the advantage of the people within the framework of an economy deriving its strength from the American free-enterprise system. They see life insurance as an integral and essential part of that system.

Life insurance is available on a voluntary basis, offering benefits directly related to the individual's contributions. It is a service which helps people to build financial security for themselves and their families. Its use both reflects and encourages the traditional American virtues of thrift, self-reliance and responsibility.

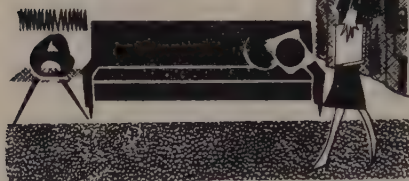
More than this, life insurance is a mechanism which gathers together the savings of millions of people, making them available, through investment, for the development of productive enterprise. Life insurance funds in this use are incentive dollars committed to the support and growth of the American economy, upon which the ability to pay Social Security benefits ultimately rests. ■

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IN 1954, a baby was born in the U. S. every 8 seconds, and someone died every 21 seconds, resulting in a one-year population gain of 2,823,000.

A Woman's Place...

by Marion L. Briggs



At work, as well as at home,
women are successful bosses

POETS AND PSYCHOLOGISTS, economists and, in fact, all manner of men, have often made loud proclamations concerning a woman's "place." But in the midst of all the discourse, women have proceeded to demonstrate, in the normal course of events, that they can make a place for themselves in any quarter they wish.

The place of women in the world of industry has been recognized for many years. At the peak of World War II, the ladies comprised 36 percent of the civilian labor force. Since that time, the trend has been toward broadening the variety as well as the number of employment openings. Even at managerial and executive levels—the last stronghold of masculine "superiority"—women are successfully making their bid.

While women are playing an increasingly important role as managers and executives in areas where they have always to some degree existed—in foods, children's toys, cosmetics, perfumes and clothes—their most dramatic success has been in new fields and in those old ones traditionally maintained as a strictly male preserve.

Significant progress in recent years cannot be explained only by the manpower shortages during World War II, although during this period women certainly had an opportunity to demonstrate their abilities on all sorts of new jobs. More significant are the changing concepts of what makes a good manager. The growing emphasis on the sales, research and human relations aspects of management provides for women possibilities which never existed before.

Equally important is the greatly expanded consumer market of the last ten years, which has created the need for the "woman's point of view." Women do most of the shopping and spend the largest part of the family dollar. Even beer advertisers have learned that more important than the hand that lifts the glass are the manicured fingers that pick the right brand from the supermarket shelves.

Women understand the kinds of

commodities and services other women want, from home furnishings to financial problems. The now not-so-stuffy brokerage houses and investment firms have added women investment counselors and managers. "Now that more women are working and earning money," says Margaret Kennedy, investment counselor in a New York Stock Exchange brokerage firm, "they are taking a much more vital interest in every phase of what is done with money." We might add that this interest encompasses not only their own money, but their husbands' as well.

Many younger fields, such as public relations and personnel, require that kind of skill and ability which women have been encouraged to develop. In personnel work, women managers have proved to be particularly skillful with morale problems. In the retail trades, which employ nearly half the women managers of the country, one-fourth of the department store heads and some 50 percent of the floor managers are women.

But the most satisfying progress has been in those long-established industries which in the past had kept female employees

Marion L. Briggs, teacher and writer, has written several articles dealing with the human being as an important factor in industry.

out of the higher managerial echelons. Women administrators and managers in banks are finding great opportunities in such departments as new accounts, credit, trust or loan—where the positions call for close contact with the public.

Three savings and loan associations, each with assets exceeding twenty million dollars, are staffed entirely by women. The number of women managers in real estate and insurance businesses more than tripled between 1940 and 1950, probably the result of more women owning property and having money of their own. And in heavy industries, women are proving themselves as production managers, industrial engineering consultants, research counselors, personnel managers, editorial consultants and credit managers.

EVEN in those occupations where progress has been notoriously slow, there are individual instances of success. A woman geologist has been employed by a major oil company as a consultant, perhaps the only woman in such a post in the country. Elsa MacGill, formerly the chief aeronautical engineer with Canadian Car and Foundry, has recently been appointed consulting engineer. The Bell Telephone System, for the first time, has a woman district commercial manager.

Notable progress has also been made in those instances where women formerly could not compete for managerial positions because the educational prerequisites were inaccessible to them. Louisiana State University, for instance, recently opened its doors to women graduate students who wish to study banking. And Radcliffe College is increasingly more successful in placing graduates of its Management Training Program for Women Managers.

The major objection to having women managers and executives has been, and still is, that no matter how capable they are, they can be tied down by motherhood. And a home with young children inevitably results in lost labor time and divided interests, it is said. While there is some validity to this, statistics suggest that industry may have overstressed the point. In most cases, a woman (and a man, too, for that matter) has had an average of fifteen years' experience in the field be-

fore she reaches a top post. At this stage in life, she rarely has young children at home to distract her from her job. According to a 1953 United States Department of Labor report, of the more than thirteen million married women in the labor force, only some five million have children under the age of eighteen.

The well-worn but still vocalized objection by men, and many women, to working under the supervision of a woman is rapidly disappearing in these changing times.

Although industry is still riddled with a-woman's-place-is-not-in-management feeling, even the staunchest advocates of male-managed industry are being forced to retreat. Today's young woman who hopes for a top level job in industry, and who is willing to train for it, will have less trouble attaining it than did her mother or grandmother. And her children and grandchildren will probably have even less. ■

A Dog's Life . . .

A MAN'S BEST FRIEND may be his dog, but it costs plenty to maintain the friendship. After the initial outlay for a puppy, it costs some \$180 a year for food. During the animal's ten-year average life-expectancy, food bills will come to almost \$2,000. Add \$250 more for lifetime veterinary costs. For a female, total lifetime kenneling charges during her "seasons" average \$500.

New fields for cultivation postpone, for now,
the Malthusian theory of overpopulation

Chlorella and Mr. Malthus

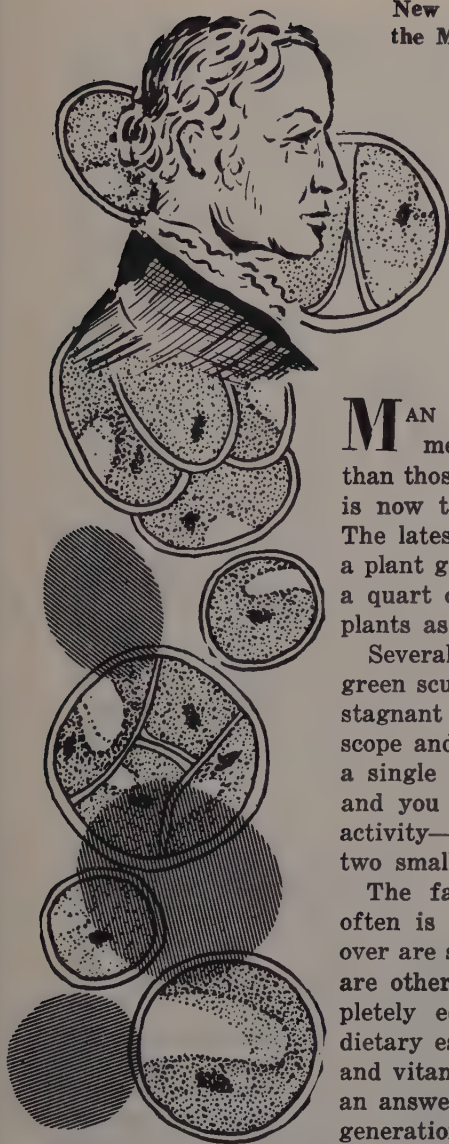
by Hartley E. Howe

MAN THE OMNIVOROUS, whose food requirements are greater and more complex than those of any other creature on this planet, is now turning greedy eyes on the invisible. The latest object of his curiosity is *Chlorella*, a plant genus so small that a thin suspension in a quart of water contains ten times as many plants as there are people in the world today.

Several million chlorella look like the grass-green scum one might find on the surface of a stagnant pond. Put chlorella under a microscope and you will see that each tiny plant is a single cell. Keep a sharp watch for a time and you will witness the cell at its favorite activity—swelling large, then dividing into two small cells, each a new chlorella.

The fact that chlorella divides early and often is one reason that scientists the world over are studying this microscopic plant. There are other reasons. Each chlorella cell is completely edible. Each is crammed with such dietary essentials as protein, amino acids, fats and vitamins. Here, scientists believe, may be an answer to the great question facing future generations: how to feed hundreds of millions of more human beings as the population of the world soars.

(Continued on page 24)



With the United States presently plagued by tremendous food surpluses, this may seem to be an odd time to be searching for new sources of food. To many experts, however, farm surpluses represent a local and temporary situation. In areas containing more than half the world's population, available food supplies cannot provide the minimum number of calories that even a nonmanual worker needs.

Right now, these people must find ways to feed themselves. But that is only the short-term problem. No nation, not even one that can feed its own population, can escape the pressure that will spill over from other areas.

By the year 2000 the population of the world will have grown to approximately 3½ billion people. This means an increase of 700 million people in the next forty-five years—the equivalent of adding four new USA's in less than half a century. Nearly half a billion of these worldlings will find themselves in areas that are already densely populated. The course of human events is already too tumultuous to debate the outcome of what might happen in the face of such difficulties.

This is not a new worry. A century and a half ago Thomas R. Malthus warned of a world population outrunning food supplies. Thus far, the tremendous

rise in agricultural productivity due to mechanization, fertilizers, breeding of better plants and animals, and control of plant and animal disease has kept the food supply adequate in many places. It is believed that merely by applying the available scientific knowledge, the world's food supply could be greatly increased.

All this is encouraging—but it is problematical that we can count on these factors for long to keep great numbers from a violent reaction when they contemplate their fate, face to face with the great equalizer—starvation. The amount of unused land is extremely limited, and most of it requires costly irrigation or drainage. Millions of acres already under cultivation are being robbed of their fertility at express-train speed by improper use. Even if we can stop this destruction, can we continue indefinitely to improve our agriculture by new scientific discoveries? As living conditions improve in industrial cities, with better housing and welfare services, will people tend to have more children? No one knows the answers. But we must face up to the possibility that a serious food shortage can develop.

Hartley E. Howe's third contribution to CHALLENGE is one of many articles on scientific and technological subjects which he has written and edited for leading periodicals.

This is just what the chlorella researchers are doing. They are spurred on by the knowledge that a million acres of land used for chlorella production—a little more than the area of Rhode Island—can provide half the protein needed by all the people in the world today!

To those of us who think of food in terms of a nice, thick T-bone steak, there may be something startling about turning to a microscopic alga for nourishment. Actually, man has been using sea and water “weeds” for a long time. As plankton, these plants feed the tiny fishes of the sea, which in turn feed the larger fishes that man catches for his own table. Irish moss is gathered for blanc-mange. The Japanese use seaweed for soup and as a cold vegetable. Farmers have long carted seaweed off the beaches to fertilize their fields.

CHLORELLA is a fresh water plant, one of some 17,000 members of the algae family. Its choice for food research is partly accidental. Scientists studying photosynthesis—the way plants turn solar energy into vegetable matter—had used chlorella as an experimental plant and learned a good deal about it. It is possible that other species among the 17,000 may eventually prove more useful.

Chlorella doesn't ask much—

fresh water and supplies of nitrogen and carbon dioxide. It grows best at a temperature in the neighborhood of 77 degrees Fahrenheit. And, of course, the other necessary ingredient is sunlight. Given a fine summer day, scientists estimate that chlorella doubles itself every twenty-four hours.

In nature algae grow in fresh water ponds. Some experimenters have tried growing it the same way, but most have found it desirable to provide an artificial environment—a chlorella “factory” where conditions can be easily controlled. Such a factory requires a closed container with a transparent surface to let in the sunlight, some way to pump water through so the algae do not settle out of reach of the sun, and a method of introducing the 1½ ounces of nitrogen and the two pounds of carbon dioxide necessary for every pound of dry algae to be harvested.

There is usually a harvest every day, achieved by running the water through a centrifuge to separate the one percent of algae. The end product is a bright green vegetable paste, still three-fourths water, that can be used fresh, fresh-frozen and later thawed, or dried. Eaten fresh, it is said to be a satisfying food with a strong vegetable flavor, but with a mildly unpleasant after-taste. Dried,

apparently the most feasible method of preservation, it is said to have a very strong flavor, like raw pumpkin or raw lima beans.

Thus far, not a great deal has been done to learn the best ways to prepare chlorella for human consumption. In this country it has been used successfully as an ingredient in chicken soup. In Japan it has been successfully mixed with green tea, and small quantities have been used in noodles. One of the most ambitious human feeding experiments has been in Venezuela, where chlorella growing naturally in ponds has been used to make soup for inmates of a leper colony. The lepers grew fat on it, but whether this is a tribute to the nourishing qualities of chlorella or a commentary on their normal diet is not clear.

There is no doubt, however, that human beings certainly should thrive on chlorella. Its average protein content is far higher than that of most vegetable foods. A pound of the dried algae contains more than the necessary daily human minimum requirements of all the vitamins except Vitamin C, present in the fresh chlorella but lost in drying. Its amino acid content is about the same as that in white flour and peanut meal. The only amino acid deficiency, which it shares with other vegetable proteins, is

in methionine. This would not be a drawback to the use of algae as cattle feed, since ruminants make their own methionine.

CHLORELLA converts sunlight into plant matter with about the same efficiency as a good field crop—from 2 to 3 percent. But the greater part of most plants is waste—stalks, leaves, roots—while all of chlorella is useful. At the same time, chlorella's protein content, the most useful food element, is far higher than that of the average plant—50 percent as compared, for example, to 12 percent in the grain of wheat or 44 percent in soybean meal.

Most chlorella operations to date have been carried out either in the laboratory or in small experimental installations. Based on these tests, chlorella yields are predicted equivalent to an annual harvest of 17½ tons per acre. This is high compared to most crops. But what really interests the scientists are hints that this yield might increase threefold.

How much chlorella will cost when made in quantity in a "factory," nobody knows. A highly speculative guess by the President's Materials Policy Commission is that the price of dried chlorella might be brought down to as low as 10 cents per pound in the foreseeable future. On a per-pound basis, this still would

not compare favorably with wheat, which has recently been selling in the United States price-supported market for a little over three cents per pound. Considered on the basis of protein content, however, the picture is different, since chlorella contains about four times as much protein as wheat.

So far as this country is concerned, the wide utilization of chlorella in the near future would appear to be more likely as a cattle or chicken feed than as food for human consumption. Elsewhere, however, the dollars-and-cents cost of a new food product is only one factor in its utilization. Israel, for example, must import most protein foods. Here the cost factor may be outweighed by the savings in scarce foreign exchange. In Asia where human labor is cheap and the need for new food sources is great, much of the care and processing of chlorella may be carried out by hand at a reasonable cost in terms of the food obtained. Significantly, Japanese scientists have been in the forefront in chlorella research.

But, the real significance of chlorella is not in the needs of today or the immediate future. It lies in that day that we can see looming ahead, when the world's population begins to press hard against the food supply—as food is presently cultivated.

The algae may not only provide

us with badly needed food, but with a new source of energy as well.

Combustion of algae especially grown for a high fat content would have some interesting possibilities. John S. Burlew of the Carnegie Institution of Washington has made a guess at what this might involve. On the basis of a world population estimate of seven billion in the year 2050 and a per capita energy requirement of 150 million calories per day, he declares:

“ . . . The area required [to cultivate sufficient algae] would be slightly over one acre per capita, or 11 million square miles for a world population of seven billion. This area, about 19 percent of the land surface of the earth, is small enough so that one may think seriously of algal culture as a means of utilizing solar energy on a day-by-day basis when all the coal, oil and fissionable materials will have been used up.”

Finally, there is one more potential group of customers for chlorella—spacemen. Food will be a problem in a space station, but there will be plenty of solar energy available. It is possible that some day the humble algae may start on their travels to some remote point in outer space, there to provide a perpetual truck garden for the explorers of our solar system. ■

you may want to know...

OUT OF nearly 60 million income tax returns filed last year, 95 percent (54 million) were accepted as filed. Another 2 million were settled within the Internal Revenue Service and 1,200 were settled in Tax Court. Less than 1/500 of 1 percent resulted in indictments.



*Expanding
Tootsies*

THE BEST TIME to buy shoes is in the afternoon, says the president of the Podiatry Society of New York State. During the day, the foot tends to swell to almost a half shoe-size larger. And don't be misled by a sales clerk's statement that "new shoes need breaking in." Shoes should be as comfortable when they are first worn as they are expected to be after a number of wearings.

Good News for Coffee Addicts

AN OK ON heavy coffee drinking for healthy persons has come from the American Medical Association. Drinking twenty to

thirty cups of coffee a day is not harmful unless you are suffering from such ailments as heart disease and nervous disorders.



*Royal
Rinse*

WHEN Queen Elizabeth received an electric dishwasher from the Duke of Edinburgh, an American detergent manufacturer sent her a year's supply of its product. How much detergent does a queen use in a year? Simple, says the company. It shipped thirty-two pounds—the average amount used by a family of four. Sounds too simple.

*Hi-Gloss
Frequency*



WEATHERING, aging and corrosion from chimney smoke and soot can cut down the efficiency of your television antenna. Latest advice from people who know is that you should give the antenna at least half the maintenance care you give your car.

How Not to Do It



THE Rug Cleaning Institute warns against shaking throw rugs to dust them. The snapping action may break the yarns in the rug backing. Solution: use a vacuum cleaner.

"23 Skidoo"

THE NEW color combination predicted for men's fashions next fall is black with helio for the sophisticated, and black with orange for the campus crowd. The forecast is based on this year's success of black and pink.



Taking the Plunge

THE old-fashioned plunger can be a useful aid in dusting glass-topped tables without scratching the glass. Use the plunger to lift and hold the glass while you dust the table.

TV or Not TV

THE NATION'S reading habits are feeling the sting of television, concluded the 5,000-member Leadership Panel of Tide magazine. While a large majority agreed

TV has reduced reading time, one faction held that reading suffers only while TV is a novelty.

Candid Camera



THE AVERAGE woman shopping alone handles 2.23 frozen food packages before finally making a selection; the average man 2.37 packages and the average couple 3.02. This unique bit of information was discovered by use of hidden cameras recording the behavior of supermarket customers.

Dental Dope

IT'S NOT advisable to use one toothbrush constantly until it's worn out. In fact, it's wise to have at least three handy at all times. Also recommended: a toothbrush with a 6-inch handle, and tufts of *uniform* height.



Nifty Needlework

IN ONE Indiana county, 80 percent of the population will bear tattoo marks. Emblems? Girls? Ships? No—blood type. Civil Defense administrators hope this practice will soon be as prevalent as vaccinations—a priceless aid in time of emergency. ■

Whether he deals with household budgets or abstract theories, the economist's end purpose is to achieve something practical

Challenge Interviews

John D. Black

President, American Economic Assn.



What Does an Economist Do?

Q ABOUT ONE HUNDRED years ago Thomas Carlyle described economics as "the dismal science." Since you are a professor of economics at Harvard and president of the American Economic Association, I suppose you have a more hopeful view of the subject.

A I certainly do. And I expect that before this interview is over, we shall be able to find grounds for the hope.

Q Some people today have the feeling that economists treat their subject as though it were some form of intellectual entertainment especially concocted for their own enjoyment.

A Well, that is one type of an economist. Fortunately, we are not all like this. Nothing could be more practical and down to earth than the true purposes of economics. We all know what the word *economize* means—to use available resources in such a way as to get a larger output of the things that contribute to a better living. Now, if that isn't down to earth and practical, I'd like to know what is. Of course, scholars in all fields tend to become absorbed in abstractions, but even these have practical value.

Q Could you give us an example of an abstraction that an economist might formulate for a very practical purpose?

A I read a statement the other day by an economist to the effect that nobody knows the answer to whether we shall have another

depression. Why don't we know the answer to that question? Well, it is partly because we just don't have all the information we need relative to what really happened in the past and what is happening right now. We won't be able to understand depressions until some scholars in the field of economics have completely analyzed past experience and tested their conclusions in current experience. In this way they can discover what the relationships are among the various economic forces that bring on business recessions. When economists get together and go to work on such problems, a whole series of hypotheses must be stated and tested out. The statement and defining of such hypotheses we call "qualitative" economics. Out of such stating and testing of abstractions will come the final understanding and answer to the question of what to do to prevent depressions.

"We have to study the different types of economic units and economic behaviors in order to understand economic processes."

Q This is not unique to the science of economics.

A Of course not. When Professor Einstein formulated his theory of relativity, $E=mc^2$, he was stating an hypothesis. The research conducted since then has resulted in a better understanding of our physical world, and one practical result of this work is atomic energy. Now, we have problems of that kind in economics. The basic facts in life that are pertinent to economic decisions are to be found in consumer behavior, the behavior of business firms and, in a larger sphere, in the behavior of national economies. We have to study these different types of economic units and behaviors in order to understand economic processes and how economic forces operate.

Q Is there such a thing as too much hypothesizing?

A It is true that some scholars in this field, as in other fields, get so wrapped up in such activity that they devote all of their time to it. They become specialists in economic theorizing. But most of this proves useful to those who have to set up the hypotheses that are going to be tested.

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Q Is it possible to skip the history of economic thinking and plunge immediately into present-day problems?

A There is a theory in the field of biology that the human being in his physical development lives over the evolutionary history of the human race. He starts as a cell, then goes through, in his embryonic development, the various steps through which the animal world has passed until he finally becomes a human being. I have observed that when a man of first-rate mental powers and philosophical intent is isolated from the history of economic thought and starts thinking out economic problems for himself, he lives over again the intellectual history of the human race in the field of economics. However, often he will develop only up to a point, and never quite come up to date, maybe no further than Adam Smith. Today, the young man who studies economics has all this background in the history of human thinking to start with. It is hoped that he will take it from there.

Q I suppose most people are chiefly concerned with the practical economics of their everyday affairs. How well prepared do you suppose the average American is, when he gets out of school, to understand the economic world in which he lives?

A I think we'll just have to say that our educational system has not given the average person much of an insight into the economic facts of life.

Q Could you give us an example of this failure?

A Let us take a very simple case in agriculture. We teach the farmer to use fertilizer. But at the same time, he ought to be taught that somewhere along the line he will reach a point where he can use *more* fertilizer and get *less* of an increase in his crop. Somewhere along the line there is just the right amount which will give the largest net return. Now this sort of thing can be taught, and there is an economic principle involved. It is nothing more than an application of the law of diminishing returns.

Q You feel, then, that economic principles can be taught in terms of specific problems and situations?

A If they are not taught in that manner, the principles alone

would represent something abstract and therefore not meaningful.

Q How would such an understanding of economics contribute to a betterment of the general economic scene?

A I will again take a case out of my own special field of agriculture. Now, here is this matter of price supports for wheat or cotton, tobacco or dairy products. Should the individual farmer vote for price supports? He can look at this simply in terms of, let us say, the prospect of a higher price per bushel of wheat. But at the very same time he does that, he is actually voting to reduce his production. If he multiplies the profit per bushel of wheat by the fewer bushels, he may not have as good a net income as before. Then a farmer needs to think about what he'll do with the land that he is not using for wheat, and then he needs to think in the same terms about other crops and agriculture as a whole. Then the question that comes up is, how about the consumers? Where do they come in? The cost of living will, of course, be higher for the consumer. How does that affect the farmer? I expect that the more understanding there is of these general relationships, the more broadly the farmers will think about subsidies and the less they will vote from a narrow, limited point of view.

**The American Economic Association: what it does;
the practical aspects of the Association's activities.**

Q Dr. Black, as the current head of the American Economic Association, would you tell us just what the Association does? What are the practical aspects of the Association's activities?

A It brings members together at its meetings—teachers, researchers and practicing economists. It brings them together so that they can discuss problems of the sort that we have been talking about. It publishes a journal where the results of the thinking and research of all the economists in the country have a chance to appear. The ideas that are exchanged are passed on to the classrooms, to industry, business and the government bureaus where these men regularly work. If the economists of the country come to the annual meetings and hear the leading thinkers among them discuss these

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problems, they will go back to their jobs with a much better grasp and vision of what all this means and of how economics can contribute to making this a better nation and society in which to live.

Q Particularly during the past few years, newspapers and magazines have given a great deal of space to the accomplishments of the physical scientists. Economists seem not to have received such a good press. What is the reason for this?

A I think the reason that economists have not received as good a press as the other scientists is probably because the achievements of economics are more difficult to see. If a scholar in the field of medical science finds a cure for a disease, everybody recognizes it, and is for it—unless it is some special controversial case like the use of fluorine to prevent tooth decay! When the economist goes to work on a problem, he may very well come out with some answers that are not acceptable to a lot of people. And there is no cut-and-dried method of proving who is right and who is wrong—at least not for a long time. An economist may decide, after having studied what happened in this country during the 1920s, that the depression would have been much less severe if prices had been allowed to decline, or if profits had been lowered, or if wages had been raised. Now, any economist who came out and took a position on any one of these subjects one way or another could win the ill will of a great many people.

Q Doesn't the economist have a special constituency which will uphold his position and his rights?

A To get a special constituency is also very difficult for an economist. I'll give you an example. Dr. James B. Conant, when he was president of Harvard, was very much impressed with our School of Business and the excellent support it had from the business world. He felt that our Department of Economics in the Arts College had been nowhere as successful in winning the good will of businessmen, and he wondered why this was. The answer, I think, was that over at the Business School they were using economics to help businessmen prosper—and, I should add, for the most part to prosper in ways that are good for the economy as a whole.

The point is that that was their avowed purpose. They set out to do it, and they did it, and they won the good will of the business world. Now, the economists in the arts colleges do not ordinarily set out to serve, help and improve the position of a particular group. Thinking about the economy in general terms, they find themselves with little support from any special quarter.

"I think that a severe depression like the one in the thirties is very unlikely to ever happen again in this country."

Q I suppose one difficulty is that the economist operates in an area where the truth cannot be proved immediately.

A That's right. Take this example. Even though we are by no means on top of the problem of business cycles, nevertheless, I feel that we are a lot nearer to understanding these problems than we were. And I think that a severe depression like the one in the thirties is very unlikely to ever happen again in this country. We have learned enough about it to escape at least its most serious stresses. But how are we going to "prove" that economists have really played a strong part in this? And who is going to give economists credit for it?

Q Nevertheless, wouldn't you say that economists are held in higher regard today than in the days when Thomas Carlyle made his observation?

A Undoubtedly. You started out by saying something about economics being the dismal science. It got that reputation in the days when there didn't seem to be much hope that "scientific" economics could contribute to the making of a better life for us all. The world itself was a dismal place for most people. Well, economists have proved that it is possible to apply economics in such a way as to raise our levels of living and make the world a better place in which to live. Few governments and few businesses attempt to function without considerable economic analysis. The prospect is not so dismal any more, and economics is not as dismal a science as it once seemed.

Thank you, Dr. Black.

Management Consultants

by Howard R. Suslak

Who are they? What do they do?

WHATEVER ELSE management consultants might have accomplished, they have not gathered for themselves a widespread recognition of their role in the American economy. The general public is largely unaware of their function, perhaps because at first glance it is difficult to comprehend the anomaly of managers consulting managers. Actually, this practice is predicated on the starkest kind of practicality.

In 1953 there were some 2,000 firms which called themselves "management consultants." In all, they enjoyed a gross billing of more than \$400,000,000. Undoubtedly, this figure has increased during the past two years, and does not include the engineers, accountants and investment firms upon whom management also calls occasionally to perform a special service.

Confronted with such statistics, stockholders and union officials

have been known to wonder whether all this "consulting" is really necessary. Why, they ask, should management, which annually spends millions of dollars to recruit the best technical and administrative brains available, need *outside* help to solve its business problems? Isn't that what internal managers are being paid to do?

Management's answer is that by seeking outside advice, it is assuring stockholders, workers and consumers of the highest standards of efficiency. Because of the complexity of modern industry, we have come to rely more and more on the services of specialists. Even in the professions, we no longer speak of accountants, lawyers and doctors, but of *cost* accountants, *corporation* lawyers, *heart* specialists, etc. In much the same way, today's management consultant is a specialist who can make significant contributions when called upon at the right time by good managers.

Thirty years ago, very few young men went to college to study the art and science of industrial and business management. Today, our colleges confer more than 46,000 undergraduate and graduate degrees in business administration in a single year. Such well-trained future managers, when they become presidents and vice presidents of

corporations, tend to appreciate the need for periodic outside checkups of company procedures—just as a well-trained doctor will consult with outside specialists on the condition of his patient.

But whatever the extent of his “professional” business education, the average company executive is usually someone who has spent most of his business life in one company, or, more probably, in one industry or line of business. If he is to keep ahead of the competition, he will have to tap the wealth of experience which emanates from other businesses—including those totally unrelated to his own. Management consultants can provide just that kind of “cross-fertilization” of ideas. A good management consultant firm will have had a diversity of experience with which the management of most corporations cannot compete, and should not be expected to compete.

The trend has been to get away from engaging consultants who concentrate their attention on a particular industry or specific function, such as time study, sales programs or plant layout. Most companies today hire consultants who have an integrated and overall knowledge of finance, sales, engineering design, production

and industrial and public relations. Since the average company president is interested in a better profit picture, he realizes that this objective can be more readily attained by the right *combination* of these factors.

THERE IS another reason why management often seeks outside help. The average business executive is frequently so occupied with the high-level problems of his business that he does not have the time to observe and study the actual ground-level operations. By calling in professional outsiders, uncommitted to the *status quo* or any “pet project,” he finds it easier to sell his staff on innovations. When mergers, consolidations or reorganizations are in the air, the professional objectivity of consultants, based as it is on a wide diversity of experience, helps management to arrive at a sound appraisal of proposed plans. Labor unions also often insist that outside management consultants be called in to install agreed-upon wage or incentive standards, for in that way they “know” that the standards are equitable and impartial.

Many times companies will try to analyze themselves in order to make improvements in their methods and staff. The results of these “do-it-yourself” programs are often slow, costly and ineffec-

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tual. For one thing, it is difficult to be objective about one's own company, associates, products and procedures. For another, jobs sometimes depend on the established way of doing things; and few executives, no matter how devoted to the company, will relish the possibility of talking themselves or their associates out of a position.

CONTRARY to popular opinion, management consultants are usually called in to make surveys of *healthy* companies, just as healthy patients might visit their doctor once a year for a general check-up. Most firms have auditors who check their records; it seems logical that they should also call on management consultants to check the methods behind those records. A willingness to undergo such a check usually denotes a strong and aggressive management, one

that is already on top and wants to stay there—or is fighting to get to the top.

Management consultants save industry billions of dollars annually. In the final analysis, these savings are passed on to Mr. and Mrs. Consumer in the form of lower selling prices or better products and services. And that is the way to make the American dream a reality.

Nobody believes that management consulting is a panacea or that it can ever take the place of an on-the-spot professional management which must direct a business enterprise. On the other hand, consultants can pride themselves on the role they have played, and continue to play, in stimulating the know-how of business executives. It is on this know-how, after all, that our American standard of living largely depends. ■

Surfeit!!!

FOOT DISORDERS, statistics say, afflict women six to ten times as often as they do men.

Although high heels are claimed to be a cause of many foot ailments among women, contrary to popular belief, it is not the very high, or "spike," heel which is directly responsible for such disorders.

However, the popularity of the "spike" has led women generally to regard the 2- or 2½-inch heel as "low." As a result, more foot troubles are brought on—and aggravated—by the constant wear of these "low" heels than by the occasional wear of "spike" heels.



by A. Blair Knapp

the high cost of **LEARNING**

How are the colleges doing in their attempts to climb out of the red?

THE CONTINUING financial plight of privately administered colleges has had four years of nationwide publicity. Never before in the history of education has so much been written and spoken on the subject.

There are many unique features about the unprecedented public attention devoted to this problem. The bulk of the speaking and the writing has come from the leaders of industry and finance rather than from the educators. Almost without exception, they have laid the greatest emphasis upon the crucial role of the liberal arts colleges in the economic, as well as

the social, development of our civilization. One after another they have proclaimed it to be the responsibility of corporate enterprise to assume now, before it is too late, some of the financial burdens of privately administered institutions of higher learning. This tremendous ground swell of concern and commitment on the part of the "hard-headed" leadership of American business is a phenomenon unparalleled in American history. What has been the result? What are its implications for the future?

The author of this article cannot pose as an expert on all aspects of the problem. He writes solely from personal experience, as the president of one of the older (founded in 1831), small (1,300 students) liberal arts colleges of

A. Blair Knapp, as president of Denison University, Granville, Ohio, has had firsthand experience with the various aspects of corporate financial aid to higher education.

the Midwest. We have all, or most, of the financial difficulties which have been exposed so fully. The author also has been active for four years in one of the earliest organizations created to administer business gifts to schools, the Ohio Foundation of Independent Colleges. This statewide group started its operations about the same time that public attention began to be drawn to the financial problems of private colleges.

The interest of corporate leaders in private education is not new. Many of them have personally served educational institutions well, both as alumni and trustees. Nor is the financial interest of corporate enterprise in education new in this country. For many years corporations have financed substantial research programs and sponsored many scholarships. But this form of aid has been confined largely to activities in which the corporation had a direct and identifiable self-interest. The recipients of such appropriations were, to a large extent, the technical schools.

What is new is the growing willingness of corporate management to make appropriations to liberal arts institutions on an unrestricted basis. Usually such contributions are made now without any suggestion as to how the money is to be used. When a suggestion is made, it is usually an expressed

hope that the beneficiary will use the funds to improve the faculty salary situation. Nor do the donors regard such contributions as charity. In a vast majority of my contacts with business executives, in the interests of the Ohio Foundation, it has been made clear that their contributions are regarded as an investment in the future, perhaps as something of an insurance premium to safeguard the private enterprise system from the loss of what is now regarded as a completely interdependent partner—the privately financed and administered educational institution.

This new financial support takes many forms. As this support is increased, there will be many new plans. There seems to be no question that the big stumbling block for many corporations is not whether to give or in what amounts, but *how* to give. As this question is answered by individual companies in individual ways, we shall have a great variety of plans. Most thoughtful observers believe this to be all to the good.

THE plan which certainly has interested the greatest number of corporations — although probably not involving the largest amount of money — has been the state or regional foundation set up to distribute collected funds to member institutions, in accordance with a

set formula. The foundation movement is still young; only three or four states have been organized in this fashion for more than two years. I believe this plan will continue to grow and will be preferred by many corporations.

The Ohio Foundation of Independent Colleges began solicitation of the corporations of Ohio in 1951-52. In the first year, 86 corporations contributed \$197,165. As the foundation now approaches the end of its fourth year of solicitation, a count of the contributors comes close to 475, with contributions in the neighborhood of \$470,000. This is a healthy growth.

It is also significant that the number of contributors has increased more than fivefold, while the amount raised is something over twice as large as four years ago. Obviously, this plan has won the approval of a very large number of *small* companies. The base of corporate support is being broadened; support of private education is not being confined to big business.

Now, what has membership in the Ohio Foundation meant to my institution? Our share this year will be about \$27,000, representing only 1.3 percent of our total budget. On first thought, this would not seem to be a particularly significant portion of our budget. Yet, this amount alone has financed a 5 percent increase in

our faculty salaries. When combined with annual gifts from alumni, parents and friends (increasing from \$24,000 in 1951-52 to about \$92,000 this year), it has made it possible for us to increase faculty salaries by approximately 25 percent.

Perhaps this is the place to emphasize the fact that no private institution, to my knowledge, is looking to the corporations to furnish the sole source of financial salvation. Each one of them is aggressively seeking support from its own constituency and receiving it to an increasing degree.

There are smaller schools whose share of foundation receipts is much more significant, budget-wise, than in our case. The formula for distributing most foundation funds is designed deliberately to favor the smaller college. In many cases, foundation receipts have meant the staving off of financial disaster.

There is another two-way dividend in the foundation approach which must not be overlooked. These contributions from businessmen result from a cooperative effort on the part of college presidents. The result has been a development of mutual understanding, an appreciation of the problems of the other man that is wholesome and, in many cases, quite a novelty.

In the past year several national

corporations, representing so-called "big business," have announced their own plans to aid the liberal arts colleges. Some of them have included a selected few of the state or regional foundations in their plans; but in most cases they have concentrated the bulk of their contributions in other ways. In general, these have, with minor variations, followed two main lines. One method is through scholarships. Sometimes the institutions to which the scholarships are granted are specifically named; in other instances the scholarships are open to national or regional competition among students, with the winners selecting their own colleges. The second method is an outright unrestricted grant, in varying amounts, to specifically named institutions. Both of these plans, if followed by more corporations, can mean much to the selected institutions. There is a drawback, however, and that is that the weaker financial institutions are not usually selected. Any reasonable interpretation of the future college enrollments will make it clear that we cannot afford to let *any* existing college fail for lack of financial support.

Paradoxically, this matter of selecting institutions is both the strength and the weakness of the foundation approach. It is a strength because the corporation is relieved of the responsibility, and

perhaps the embarrassment, of making the selection. It is a weakness because many of the larger corporations are not only willing, but actually prefer to accept this responsibility.

How extensive has this type of aid been to liberal arts institutions? Thus far, the total amounts received by the institutions selected are not yet too significant. My institution has been privileged to be included in most of the plans recently announced. For the year 1955-56, the plans in which we participate will contribute about \$10,000 to our income. This is not a large proportion of our total budget, and yet even this amount may well spell the difference between a deficit and a balanced budget. Small as it is, in every case it will help. It also is tremendously encouraging to those who are trying to find a way out of the financial dilemma. If other corporations, in relatively large numbers, will do likewise, it will be most helpful.

SPACE does not permit extensive reference to other very important plans which do not follow the three patterns referred to above. Surely the one which involves a corporate matching of employees' gifts to their alma mater is interesting and will be helpful. The most recently announced plan of very large capital gifts to a necessarily limited

number of selected institutions on some kind of a flexible matching basis, will be of tremendous help to those schools which are selected and which are able to match the grants.

It must be clear that corporate giving, thus far, has been helpful, but not yet in any sense decisive in the battle against insolvency. Recent corporate giving to liberal arts institutions has been more extensive than ever before. Actually, for most institutions, the recent giving represents the first help from this source. Obviously, corporate gifts have not yet reached the volume necessary to offset increased costs. Alone, they probably never will.

One thing must be remembered. There are two financial battles being waged by the privately financed liberal arts institutions. The first battle is to stay solvent in terms of present-day expenditures. The second battle is to find ways and means to finance increased future expenditures, primarily for salaries and scholarships, but only to a slightly lesser degree for the maintenance and replacement of physical facilities.

I think it is safe to say that there need be no fear that corporate support will ever involve an excessive dependence which will threaten the independence of the college. The most optimistic are hoping for assistance from this source which might amount to 10 percent of the educational and general expenses. Contributions from other sources will continue to balance the scale. It must also be said that corporate donors are investing in private education because they wish to preserve its freedom. All the executives with whom I have talked are well aware that they must not interfere with the freedom they are trying to preserve.

This article has referred only to private education. Lest there be any misunderstanding, may I make it clear that higher education in America requires strength in both public and private institutions. They supplement and complement each other. Each must become more effective. The developing corporate support, if expanded as seems probable, is a reflection of the American spirit at its best. ■



Bottoms Up!

The purer the alcohol you drink, the less chance you have of getting a hangover, say four New England doctors who spent 19 months watching the reactions of white rats to hard liquor. Those morning-after feelings don't come from the alcohol itself, but are caused by powerful, microscopic impurities in the drink, the scientists concluded.



Changing Views About Wealth

While the object still was to profit from commerce, the rise of domestic manufactures brought about new definitions of wealth

THE SIXTEENTH CENTURY mercantilists had sought to use trade and commerce as a means to funnel gold and silver into their own lands. The accumulation of precious metals was the primary object of the economic policy of the era, since wealth was thought to be determined by the amount of bullion or plate a country possessed. Wisdom and efficiency were on the side of that nation which could export more goods than it imported, thus putting itself in the position of a creditor receiving payment in metal. The best way to assure a "favorable balance of trade" was to impose government restrictions on the amount of goods that might be imported, while encouraging exports by every means.

By the middle of the seventeenth century, the conditions which gave rise to mercantilist policies were changing. Experience made it apparent that a nation could not export goods without first producing them. Therefore, the desire to engage in trade drove merchants to seek out and develop domestic manufactures. The former emphasis upon trade for trade's sake had shifted to manufacturing to strengthen the hand of the trader. The stage was being set for the rise of industrial economies.

These changes were bound to have an impact upon the validity of economic ideas which to the early mercantilists had seemed perfectly acceptable. The later seventeenth century writers re-

veal in their works significant breaks with tradition. There is the admission that commerce and manufacturing are hampered by the restrictions legislated under orthodox mercantilist programs. Also, as a result of an increasing emphasis on manufacturing, the economic speculation of writers and thinkers is shifted to a concern with production.

It is in England that we find one of the cogent expressions of dissenting thought. Englishmen who criticized mercantilist restrictions, while they were still imbued with much of the mercantilist prejudice, were the liberals of their day. Today they would be called conservatives. In 1690, their writings constitute a plea for a more liberal foreign and domestic policy—a policy which was to find its most effective voice in Adam Smith's works three quarters of a century later.

It is interesting to note that sometimes attention was so sharply focused on the restrictive nature of government regulations that questions of business morality were overlooked. Sir Joshua Child, while arguing against an attempt by the State to regulate the amount of staining (stretching) of cloth that would be permitted, said: "If we should pro-

hibit the staining of cloth, the Dutch (as they often have done) would buy our unstained cloth . . . stain it to six or seven yards more . . . carry it abroad to Turkey . . . and there beat us out of trade with our own weapons."

Still another commentator prophetically called attention to the importance of "taking off all restraints and giving due liberty to manufacturers," because England shall live, to some extent, on her surplus manufactures. This would have been a hypothetical proposition for the early mercantilists.

WITHIN the writings of Sir William Petty are basic assumptions which disagree with early mercantilist ideas. Land and labor, said Petty in 1690, not foreign trade, were the essential factors which yield national wealth. "Labour is the Father and active principle of Wealth, as Lands are the Mother." In fact, a nation may not be the poorer for having less money, according to Petty, for "the most thriving Men keep little or no money by them, but turn and wind it into various Commodities to their great Profit." Therefore, Petty concluded, government policy should aim at increasing the industry of a nation so that commodities useful for trade will become abundant and inexpensive.

Sir Dudley North, a contempo-

This is the fifth article of a series in *CHALLENGE*, dealing with the economic development of Man.

rary of Petty, propounded a free-trade policy obviously inconsistent with orthodox mercantilism. North's clear idea of the function of capital represents an immense progress in analysis. To North, the lending of capital (called stock) was equivalent to letting of land. Landlords and stocklords were the same. Rejecting the mercantilistic policy of hoarding gold, North believed that no one really wants to keep money; everyone wants to dispose of it in such a way as to make a profit. On the question of interest, North did not feel, as did earlier mercantilists, that a government-regulated low rate of interest spurred trade. Just the opposite was true, according to North, for with an increase in trade the volume of money would increase and the rate of interest would fall.

SIR JAMES STEUART'S views on government regulation prevent his being classified as a liberal mercantilist; but writing some fifty years after Petty and North, he had gained ample opportunity to qualify certain tenets of traditional mercantilism. His concern with the need to lower costs of domestic production places him midway between earlier mercantilists, who favored foreign trade above domestic, and Adam Smith, who was to place domestic commerce above foreign.

But if in the point of time James Steuart was standing at the threshold of a new era while still facing the old, to David Hume must go the distinction of standing at that same threshold while facing the new. David Hume was Adam Smith's immediate forerunner among economic theoreticians. To him, gold and silver were relatively unimportant because, he said, money is only a method of rating labor and commodities. The secret of prosperity lies elsewhere. "The want of money can never injure any State within itself, for men and commodities are the real strength of any community." The much-vaunted favorable balance of trade of the early mercantilists represents to Hume a useless balance in money, and money is a mere commodity possessing the same utility as any other commodity. We can see how this thinking undermines the foundation of mercantilist theories.

Concerning the fear of a depletion in the supply of precious metals, Hume said, "I should as soon dread that all our springs and rivers should be exhausted as that money should abandon a kingdom where there are people and industry."

MOREOVER, the balance of trade of a country could not be permanently favorable or unfavorable.

In the long run, a balance would be established in accordance with the relative economic conditions within the countries concerned. To him, a people supplied with industry would get the money they required.

Nor has any nation reason to be envious of the prosperity of another, for only if neighbors are prosperous can they be good customers and so contribute to each other's prosperity. Hume put it this way: "I shall therefore acknowledge, not only as a man but as a British subject, I pray for the flourishing commerce of Germany, Spain, Italy and even France itself."

THE growing emphasis upon manufactures affected general attitudes toward population growth. An increasing population meant an increase in the potential number of soldiers and sailors—and an increase in the number of productive workers. Therefore, various methods to increase the population were widely discussed. Immigration was encouraged. The desire to make effective use of all

people within the nation, since this would be equivalent to an increase in the number of people, gave rise to many unique plans. Agencies could be established to employ the poor; corrective or punitive legislation could enforce labor. An act passed by the Scottish Parliament in 1606 sanctioned the principle of compulsory service to private employers as a remedy for vagrancy. Nehemiah Grew, an otherwise undistinguished mercantilist, felt that there was a decided oversupply of alehouse keepers, pawnbrokers, quack doctors, apothecaries, barristers and solicitors who could be put to more productive use.

We have thus concentrated on one branch of the growing reaction to orthodox mercantilism—the English branch composed of thinkers who were still greatly influenced by earlier ideas. Another reaction developed in France which was to take a different course. The French attack is reflected in the writings of the physiocrats who emphasized agricultural surplus as the basis of all wealth. ■

NEXT MONTH: With the cry of "Laissez-faire," the physiocrats set the stage for Adam Smith and the classical school of economists.

More Proxy Fights

to come

by Sam Shulsky

The economy has changed vastly, and new managers will challenge the old who do not move with the times

ON A LATE Friday afternoon last April, a young, aggressive businessman rose on the floor of Chicago's Medinah Temple and conceded that the management of Montgomery Ward & Co. had successfully resisted his campaign to gain control of the famous mail-order house. The victorious side could hardly rest easy.

Although Louis E. Wolfson, who has assembled a 200-million-dollar industrial empire since World War II, had managed to gain only a minority position in the directorship of Montgomery Ward, it left that blue ribbon company's management in an unenviable position. The next twelve months are not likely to be peaceful ones for the giant mail-order firm. The resignation of Sewell Avery as chairman of the board indicates that the management is planning drastic policy changes in order to forestall another such free-for-all next year.

What bids fair to be a year of

bitter dissension within the Ward board may thus prove to be even a better object lesson than Robert R. Young's clear-cut victory over the Morgans and Vanderbilts in the New York Central affair. No management, no matter how well entrenched, is safe from challenge. Constant managerial vigilance combined with stock-market aggressiveness and "savvy" are part of the price of corporate control.

The fact that a 42-year-old relative newcomer, Wolfson, could successfully get a foothold in a corporation dominated for a quarter century by a man who had refused to bow to the Government itself is further proof that we have reached a new high in the rising pitch of the corporate battles which mark the current economic scene.

Measured both in sheer numbers and by the size of the corporate prizes at stake, the last few years have seen more proxy battling than ever before in our

history. In 1952, the American Institute of Management reports, there were fights for the control of about a dozen important corporations. Incumbent management beat back all but two. In 1953, there were about two dozen big battles. The challengers won four. Last year there were about thirty, with the outsiders succeeding in taking over a half-dozen large corporations, including the two-billion-dollar New York Central and the half-billion-dollar New Haven Railroads.

This year's total will be impressive, also. Already another New England road, the Boston & Maine, has been taken away from its old management. And control of a large textile group, including the giant American Woolen, has changed hands in the process of a new industry combination.

American business has had contentious financial titans before. The New York Central was fought over early in its history. So were the Erie and the Union Pacific, and many others. Fortunes have been expended in battles over steel companies and giant auto combines. But most of these battles of the past generally were fought between men of similar financial status who had already

built up fortunes, generally in banking. What the aggressors were looking for was an additional plum.

The present battles are not so much between two long-established giants fighting over a prize, but between the new challengers, who have arisen in a matter of a few years, and older, wealthier insiders who have been well entrenched in corporate control, often for decades or longer.

The business community is witnessing the onslaught of a new generation of conquerors. Why have they sprung up just at this time, not only on Wall Street and on LaSalle Street, but in the small towns of New England, Pennsylvania, Texas, Michigan and Ohio, as well? Is there something in our national business climate which encourages them to strike now for prizes which have been considered invulnerable for years? On what meat do these new financial Caesars feed?

As in all wars between financial interests—like those between nations—the causes are complex and stem from conditions both within and without the contested companies. On the outside there have been economic factors and regulations which encourage and, in fact, abet the challengers. Within the companies themselves there have developed weaknesses in policy and in management, a

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thinning out of the blood, as it were, which has enervated the energy responsible for the growth of the giant enterprises in the first place.

The economy has undergone vast changes during the last decade. New consumer patterns have required fresh marketing techniques. The changing structure of business finance and new forms of competition have inspired product diversification and internal financing. The new emphasis upon maintaining an expanding economy and the changing role of government have set up new conditions with which management must contend. Such developments might immobilize some old-line managers whose experiences are rooted in the past.

WHAT ARE the factors of strength behind the new challengers? The prosperity sustained by defense orders and governmental money management since World War II has been all on the side of the young and the aggressive, the risk takers of the last decade. Small plants in the hands of astute managers waxed fat, and shoestring investments grew into sizable fortunes. Thus, a property picked up for a promise from some old, discouraged holder became the nucleus for empire building under the direction of the new-day entrepreneur.

With purchasing power thus built up, he could then go after other businesses which, even though successful, were not being pushed to their utmost by old-line management. In the large and often idle cash accounts of such firms were to be found the markers which could be used for further expansion—acquisition of a continuously widening circle of companies.

For basic to this story of the new empire builders is the simple fact that they are using with great success the old holding company formula. Though declared illegal for utilities by the Public Utility Holding Company Act of 1935, this formula is still quite effective and legal as a catchall for a variety of business interests.

The modern adaptation of the pyramid idea starts with seeking out companies whose lackadaisical managements have piled up huge amounts of cash or other valuable assets which are not put to productive use. Usually these companies' shares sell at a marked discount from their true value because their full worth is not being employed in developing earnings. Often they have little stock market following. Frequently a good portion of control can be bought up before anyone knows what is happening. Just as frequently shares are acquired by offering stockholders a large

premium above the going market quotation (although still below book or liquidating value).

Once in the control of the new managers, the treasuries of the newly acquired firms make excellent vehicles for acquiring other similar companies. Then the process is repeated. The pyramid gets broader at the base and taller as additional blocks are absorbed into the structure of the holding company. Usually the public does not become aware of the rise of such an "empire" until a young Louis Wolfson suddenly flexes his financial muscles in preparation for the big fight with a well-known giant. Then everyone asks how he got so big.

A company need not be flush with cash to constitute a good prize. In fact, even companies with big deficits can be used to advantage by these new financial wizards. The tax-loss carry-forward provision of the Federal income tax law has sent enterprising financiers and industrialists, and their professional "finders," scurrying around seeking out just such companies with substantial losses. Once acquired for peanuts, such a company with, say, a five-million-dollar loss on its books, is merged with an already owned, successful company. The next five million dollars of earnings of the holding group thus become tax free, the tax collector having

to be satisfied with the credit slip which was acquired from the ailing company recently purchased.

A company which is losing money in toolmaking, for example, might become a highly desirable addition to a paper concern. The tax credit law makes it somewhat more profitable to sell the machine tool plant, if you are a tired management, than to exhaust yourself further trying to sell tools. The aggressive management can profit from this new tax status and plunge with gusto into the task of making machine tools pay off.

It must be admitted, in justice to these new-day empire builders, that they have displayed considerable business acumen. After all, tax laws apply to everyone, and the pyramiding procedure is not patented. The advantages enjoyed by those who have used them successfully derive from their shrewdness, daring and just plain persistence in seeking out corporate situations which lend themselves to this sort of operation.

Naturally their actions are frowned upon by those who are already "in." But a dispassionate onlooker may well wonder whether—give or take a few scruples and sharp practices—what is going on now is not merely a modern version of the same tactics which built some of our present-day industrial empires.

For it is still too soon to determine whether these new challengers are hit-and-run profiteers or really builders. Thus far, most have stayed with the businesses they have acquired and have continued to expand them. In fact, their past successes win them substantial stock market following for any new fight they may embark upon, especially against a management which has fallen behind in the parade or run into hard times—and has not bothered to enlist the understanding of its shareholders.

To this extent, the challengers are teaching all business an expensive but much-needed lesson! If you do not cultivate your shareholders and treat them like the real partners they are, someone else is sure to seize the opportunity and get disgruntled stockholders to line up with him. And that is going to cost you a lot of money in subsequent proxy fights, and possibly control of the business, as well. Robert R. Young's fight to get control of the New York Central cost him and his associates over \$1,300,000. Perhaps the incumbent should have spent twice as much to maintain control. Or perhaps even any amount of money would not have been sufficient. The point is, once you are in a fight, it is going to cost plenty—win, lose or draw.

So far, even though a substan-

tial majority of the proxy battles have been won by the incumbent managements, the percentage of successful challenges has risen. This latter trend may well be reversed, but the prospect is that there will be more fights to come.

Managements must now admit—if only to themselves—that proxy contests are inspired by management weaknesses and that no company is impregnable.

MORE and more corporation executives now realize that they must, first of all, continually put their best business foot forward. (From here on in, it is the incumbents' *accomplishments* vs. the challengers' *promises*.) Secondly, they must own at least a nucleus for voting control, or, if this is not possible, cultivate the shareholders who can give them that control.

In a word, the proxy battle is a form of corporate trouble which has to be licked before it starts.

Those managements which fail to face the invader *before* he gets going are in for serious trouble. Those who can outfight him can hope thereby to build up additional immunity to future attacks. But one can never be sure, never completely safe. This uncertainty drives both incumbent and challenger to expend greater efforts in behalf of the business enterprise. ■

from facts and figures

Economics

in

Action

*The economy regains a peak;
autos spark the industrial
pace; the housing-mortgage
buildup; a discrepancy
between jobs and
unemployment; boosting
personal income; caution
on credit*

WITH GNP reaching a \$370-billion annual rate in the first quarter and the Federal Reserve Board's adjusted **Index of Industrial Production** in April coming within 1 point of the all-time high, business has just about recouped the strength it lost last year. How to run the upthrust into long-range growth is the problem before the nation. For, as **President Eisenhower** pointed out recently, what we must seek "is the highest rate of production and prosperity that *can be sustained.*" How solid are the foundations of the present trend?

A good part of the rise in GNP figures resulted from stepped-up **consumer buying** of durables and increased **business investment**, jacked by **additions to inventory**. Spurring the hike in these key figures is the hectic pace of **auto sales** and the addition of autos to dealers' stocks. **Car assemblies** in March were 800,000, a record peak for the month. Early summer, usually the best period for car sales, will verify or deny the talk that buyers got cars quickly because of early **model changeovers** and as a hedge against a **UAW strike**. Should auto sales abate and/or labor strike, auto assembly would plunge downward—carrying **allied industries** with it.

However, other industries are in a position to pick up the pace. **Household durables** have had continuing consumer favor. **Service industries** have taken moderate rises all along. And **soft goods** seem scheduled for a lift. **April retail sales**, unadjusted, totalling

\$15.5 billion showed **apparel** enjoying good Easter season sales.

With expectations rising, **business** is spending for the future. The **Index of Machine Tool Orders**, an indicator of coming industrial activity, rose to 214.3 in March, an 18-month high. **Steel**, operating at 97 percent of its new capacity, is hard pressed to fill orders.

The **housing** boom continues to sustain itself *and* the economy. New **housing** starts for January through April at 421,600 are running ahead of those in the record-breaking spree of '50. **Easy terms**, which brought total outstanding mortgages on 1- to 4-family houses to \$75.6 billion by the end of '54 and marked an increase of \$9 billion over '53, account in part for **buyer demand**. In an effort to dampen the enthusiasm of weaker mortgage risks, the **FHA** and **VA** will now require that closing costs on a home and mortgage be paid by the buyer. But, in the main, effective **housing demand** will be unimpaired.

This expansive mood of business is reflected in **total employment** which rose by 1 million since March, hitting 61,685,000 in April. **Nonagricultural employment** at 48,613,000 is more than 500,000 higher than in April '54, but 800,000 below April '53. A drop in unemploy-

ment to under 3 million did not match the rate of hirings because many people who sought and found jobs were those who are not ordinarily members of the labor force.

Rising employment helped to boost wage and salary disbursements and thus put more money into the hands of consumers. **Personal income** rose to a record annual rate of \$292.7 billion in the first quarter. With employment climbing and corporations promising higher dividends, the picture may be even brighter in the second quarter.

Consumers augmented this high purchasing power by **expanding credit** to \$29.9 billion by the end of March. **Installment credit** has risen by \$1 billion since the upturn began in September '54. Although it helped to bolster sales, the credit rise has concerned many who fear it may become inflationary or spur a boom at one point—a bust later. Recently the **Federal Reserve** banks raised the rate at which member banks borrow from them, from 1.5 to 1.75 percent. The affect of this move will be mainly psychological, warning banks to look before they lend.

While undoubtedly the economy will not pursue a straight upward course, it is bound to capitalize through the next quarter on already established strength. ■

The Tariff Again

by Herbert M. Bratter

Or, how to hustle through a hassle in Washington, D. C.

THE MOST REMARKABLE thing about the recent hassle over the tariff and trade agreements program was the ability of the Senate to limit debate and to hustle through a compromise measure in time to beat the June 12 deadline on the old bill.

Not since 1934, when the original reciprocal trade act was passed, had there been such an articulate and well-heeled group of lobbies assembled in Washington. Yet, when *HR 1*, as the Administration's trade bill is officially known, finally passed the Senate after squeaking through the House by just one vote, the result was something of an anticlimax.

Neither side could claim total victory. In a country like ours, where the countervailing influences of a representative democracy constantly operate, total victories are very rare. Although

Herbert M. Bratter's article is the product of firsthand interviews and research gathered in the Congressional hearing rooms of Washington.

the Administration declared itself satisfied with the final version of the tariff bill, the White House had been forced to make some important concessions to the protectionists. The chemical and textile manufacturers, among others, are specifically protected against Japanese imports. The President was also given power to set quotas on imports of oil and other commodities deemed vital to "national security"—a power which, it is understood, the President may



find difficult *not* to use when sufficient political pressures are brought to bear.

The protectionist bloc, on the other hand, had perhaps even less to cheer about; for the spirit, if not the substance, of free trade remains alive. *HR 1*, in effect, has now extended the Presidential power to cut tariffs without prior approval from the Congress until June 30, 1958, so long as such reductions do not exceed 5 percent on any item within any one of the next three years. Unless the next occupant of the White House, whether he be Republican or Democrat, is completely opposed to the concept of trade liberalization, it looks very much as though the proponents of free trade continue to hold the edge—on points—in the constant bout over the tariff.

The fight, however, will continue both in and out of Congress. Just what is it that makes the tariff such a hot issue? Congress always has to hustle to meet an expiration deadline because it can never make up its mind until the last moment exactly what the spirit of the new trade legislation should be. There is always a hassle because representatives of industrial, farm and labor groups stand to gain or lose from a reduction of imports or an expansion of exports. In a very real sense, of course, all of us are

affected by the Government's foreign trade policies. Every time we drink a cup of coffee, open a can, look at our watch or change a spare tire, we are consuming products which have come to us by way of imports. And as workers and businessmen, our jobs and investments depend on exports.

WHILE only about 6 percent of the total goods produced in the United States go abroad, that figure is much higher for individual industries, such as construction machinery, mining equipment, machine tools, civil aircraft, etc. As for the farmer, he has always had an especially big stake in overseas markets. More than one-fifth of our output of raw cotton, leaf tobacco and wheat ends up overseas, not to mention such processed products as dried milk and dehydrated eggs. But the farmer's traditional interest in free trade has undergone some considerable changes, as we shall see, due to our own domestic policies.

On the protectionist side of the fence, the two most important lobbies are the Nationwide Committee of Industry, Agriculture and Labor on Import-Export Policy, representing at last count eighty-seven industries, trade associations and independent companies; and the somewhat more discreet, but no less effective,

American Tariff League, which tends to represent the larger companies. In addition to these general high tariff lobbies, there are other groups that speak primarily for single industries, such as the American Cotton Manufacturers Institute, the National Coal Association and the Independent Petroleum Association of America. There are others representing interests ranging from oranges and nuts to cutlery and handbags. These groups are not necessarily opposed to free trade in principle. They just do not want it to be applied to their particular industries and products.

IT MUST not be imagined, however, that the only trade lobbies in Washington are the protectionist ones. In fact, one of the most remarkable things about the recent tariff fight was the number of businessmen who came out in favor of a liberalized trade policy. Some are motivated by the belief that protection for industry tends to arrest growth, in much the same way that overprotection of children slows down the pace of their development. Others want freer trade because they believe that only if foreigners are allowed to sell goods in the States will they be able to afford, let us say, automobiles and business machines. It is no accident that Detroit is the chief financier of

the most influential free trade lobby, Charles P. Taft's Committee for a National Trade Policy.

While there have been protectionist and free trade lobbies ever since the first Congress met in 1789, certain groups have found it desirable to shift sides due to changing conditions. An interesting case in point is that of the farmers. All during the nineteenth century the American farmer was a free trader, for he needed foreign markets, had little reason to fear foreign competition and wanted cheaper manufactured goods. Today, his stake in free trade is not nearly as apparent. Many of our farm products are now subsidized by the Government. As a result, our agricultural prices are way above world prices. As far as our farmers are concerned, all they care about is a "fair price" for their products. From their point of view, it is certainly easier to have the Government underwrite such a fair price than to have to fight for it in the international marketplace. Many farmers, therefore, have been converted to the protectionist side of the trade controversy.

Traditional sectional alignments on the tariff issue have also changed. As long as the economy of the South was based on cotton and tobacco, two important export items, the South was solidly free trade. But since the end of World

War II, the South has become increasingly dependent on its steel plants and oil wells, its petrochemical and textile facilities. These interests, as well as those of the older coal industry, have produced a discernible shift in the position of Southern Senators.

BUT the issues remain substantially the same. On the one hand, the protectionists talk about "the danger of unemployment," "the need to conserve our national skills," "the need to maintain our mobilization base," etc. On the other hand, the proponents of free trade talk about "the mutual benefits resulting from a free flow of goods," "trade not aid," "our need to find overseas markets," etc.

Few economists would deny that something can be said in favor of all these arguments. It is unlikely that Congress can ever arrive at a cut-and-dried decision in the tariff hassle. This is as it should be.

But in the realm of foreign economic policy, confusions are inevitable. It is a truism that a nation's foreign policy is but a reflection of its domestic policies.

But if our domestic policies make sense at home, at times they can appear *not* to make sense to our friends abroad. The Eisenhower Administration—still pursuing the Hull-Acheson-Dulles free trade aims—has participated in several months of international negotiations at Geneva, involving a revision of the General Agreement on Tariffs and Trade. If we cannot resolve on the domestic scene the conflicting interests of high and low tariff proponents, it would appear that we can never unqualifiedly accept a permanent international agreement, such as a revised GATT would require, aiming to coordinate the trade policies of all participating nations. This inability on our part, since we are the strongest economic unit likely to operate within any such international agreement, heightens the probability that other participating nations will not be able to give any organization administering GATT wholehearted support. What this will do to the structure of trade among the free nations of the West remains an unresolved and perhaps insurmountable problem. ■

Bargain

A 1937 PACKARD AUTOMOBILE was advertised for sale in the December 31 issue of the Czechoslovak paper *Lidova Democracie*. The price was 27,000 crowns. Computed at the present rate of exchange, this would make it worth \$3,750.—*News From Behind The Iron Curtain*.

European Markets 'Go American'

by Egon Kaskeline

Old World customers are acting like Americans these days
—much to the delight of New World businessmen

DURING THOSE hard years immediately after the war, when civilized life seemed to have come to a standstill, Europeans looked aghast at what the American visitor would consider the ordinary comforts of living. "They expect to find another America wherever they go," might have been an apt European summation of the American attitude. "They insist on iced water for drinking and hot water for bathing. The women feel undressed without nylon stockings, and the men must have electric shavers. And they look down on us because we cannot afford these things."

These natural, if unjust, grumbles no longer are frequent in the

Europe of 1955. Today, American manufacturers by the hundreds are eagerly wooing the European consumer with automobiles, refrigerators, electrical appliances, etc. The question no longer is "Can they afford it?" but "Do they want it?"

Marketing experts agree that during the last four years most of Western Europe has become the largest potential market for American consumer goods anywhere in the world.

While European living standards still lag behind the U. S., the average Englishman, Dutchman or Frenchman enjoys more real purchasing power than ever before. Official estimates place Europe's



current rate of over-all production (the European equivalent of our GNP) at 50 percent above 1929, the best prewar year. While this increase must be balanced against a 20 percent population growth during the same period, there can be little doubt that most Europeans eat more, dress better and in general are more prosperous than at any time within living memory.

There is a new American-style middle class of white-collar workers, prosperous shopkeepers and skilled industrial workers. The people of this class are in the market for automobiles, TV sets, washing machines and all the other gadgets we tend to regard as characteristic of "American" living standards.

Statistics on the extent of this new consumer market are difficult to come by, but it is significant that sales of refrigerators, washing machines and TV sets are rising by more than 50 percent in a relatively poor country like Italy; while in Germany, TV sales have increased tenfold in the last four years. These are products which six years ago the average European would not have even dreamed that he could own.

The spread of American-style retail organizations is another symptom of Europe's new consumer market. There has, for example, been a spectacular growth of chain stores and supermarkets.

Self-service grocery stores were first introduced by a Swiss businessman, Gottlieb Duttweiler, back in the twenties, but only recently has his example been widely followed. Here, as in so many other fields, it is the smaller countries like Switzerland, Belgium, Holland and Sweden that have followed the American lead.

This new prosperity has presented the American exporter with both a challenge and an opportunity—as many American firms have just begun to realize. After a comparative lull of more than two years, commercial exports in 1954 reached their highest level since the end of the Marshall Plan. But, as most exporters will admit, American salesmanship and know-how could and should do much better. In fact, many American jobs will depend on our ability to expand our overseas markets.

While it is true that only 6 percent of our industrial production goes into exports, our stake in foreign trade is much greater than that 6 percent would indicate at first glance. During the last three years, for example, one-half of our exports came from industries selling more than 10 percent of their output abroad. Manufacturers of

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machine tools, tractors, construction and mining equipment depended on exports for more than 20 percent of their sales. But this is not all. Many companies, operating in a highly competitive market at home, realize their highest profits—in some instances their only profit—from foreign sales. An important sector of American industry (the motion picture industry is a good example) must export in order to prosper.

HOWEVER, American producers are no longer the only ones eyeing the European market. On the one hand, they are encountering the growing competition of local industries which are protected against foreign “intruders” by high tariffs, restrictive quotas, government subsidies, etc., and which operate with much lower labor costs. On the other hand, British, West German and Japanese exports have managed to put a dent in our overseas market.

As a result, traditionally “American” products such as automobiles, typewriters, cigarettes, washing machines, etc., are being replaced by goods of European make. Before the war, Underwood, Royal and Smith-Corona dominated the European typewriter market. Today, Italian, German and Swedish machines have displaced the American.

This loss of markets, seasoned

businessmen will tell you, is partly our fault. After the war, American exporters somehow forgot that good will must be nourished like a tender plant, if it is to endure. They were misled by the effortless sales of the postwar period when only American goods were available and when Marshall Plan imports and other foreign assistance shipments made American brand names a household word with European customers. With the return of “normalcy” and of competition in Western Europe, many American firms found themselves unable to retain the customers they had neglected when times were good. As a result, our exports to Europe slumped.

There are, however, some additional factors to be considered. U. S. export figures do not include the growing number of American firms which have either set up their own manufacturing plants in Europe or have concluded licensing agreements with European firms. In little Holland, for example, at least thirty American plants have been built since the war, and fifty-eight American firms have set up Dutch subsidiaries, among them such well-known names as General Tire, Borden's, Curtiss-Wright, Westinghouse and many others. The situation is much the same in England, France, Belgium, Western Germany and even in Turkey. Everywhere in Europe,

an impressive quantity of well-known U. S. brands keeps rolling off European assembly lines.

Even so, much ground has been lost in the battle for the European consumer's favor, and this ground will have to be regained. Sales-promotion campaigns will have to be stepped up. Many companies, especially in the pharmaceutical, business machine and food fields have already begun extensive and expensive promotions.

These firms can learn a lot from past experience. While American sales and advertising methods are, generally speaking, superior to their European counterparts, they are not always adapted to local tastes and conditions. The fact of the matter is that we know very little about what these tastes and conditions are in Europe, for the market is still, to a large extent, unexplored territory.

"Scientific" market analyses can be a definite competitive advantage to the American exporter. If American products continue to hold a lead in the European drug and pharmaceutical market, they owe this leadership in large measure to the careful market research of a well-known food and drug index organization whose statistics keep the American drug industry informed of trends in income, distribution, commodity consumption and advertising media.

Advertisers have also learned a

thing or two about the European market. For one thing, they have learned that Europe is not a one-continent market and cannot be treated as such. Three years ago, a leading U. S. company sought to promote a chlorophyll toothpaste in Holland and Belgium, two countries which have been neighbors for centuries and which are now united by close political and economic ties. The same advertising slogans were used in both countries, with the result that the American manufacturer captured 50 percent of the Belgian toothpaste market, but barely 10 percent of the Dutch. The reason, according to some marketing specialists, is that the Dutch are more conservative in their tooth-cleaning habits and would tend to be wary of advertisements stressing the "revolutionary" qualities of chlorophyll.

Be that as it may, there can be no doubt that our toothpaste manufacturer would have had better results if his advertising had been tailored to the prejudices and preferences of his prospective markets. A well-known maker of wrist watches, for example, used virtually the same basic advertising copy abroad as at home. But, following the advice of his sales managers in the field, he directed his appeals to German customers by stressing the watch's *precision* workmanship, to the French by

pointing to the *elegance* of its design, and to the British by emphasizing its *durability*.

THERE IS another aspect of the European market that American exporters have discovered. A product which people have been using for years in the United States is often something with which European customers are totally unfamiliar. As a result, our advertising campaigns in Europe must be "educational"—that is, they must explain what the product is actually for. Take the case of cellophane tape. European sales were disappointingly low, until the American producer remembered how he had first introduced the tape to the American public many, many years ago. Sales began to pick up rapidly after he began telling his customers that "It is transparent, it sticks with a touch and it is useful for many things."

Sales and advertising policies are not the only factors that must be geared to the European market. Sometimes the design of the product itself will have an important bearing on its salability. In general, it is true that the product which appeals to the average American will also find favor with the average European. On the other hand, American businessmen

have learned—often the hard way—that there are some exceptions to this general rule.

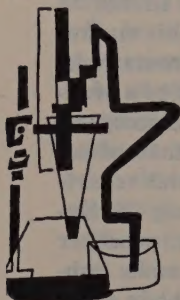
This is particularly true of those products which appeal to the so-called "luxury" market. Unlike its American counterpart, this market in Europe does not welcome radical changes in the design of a product which is already well accepted. One example cited is that of an American luxury car which reportedly lost its market among the European rich when the producer (Chrysler) decided to make substantial changes in the body style. In spite of the fact that the price tag on the new model definitely marked it as "luxury," the European upper-class customer apparently felt that the new design robbed the car of its distinctive "class" characteristics.

But this kind of problem represents only a side issue in the preoccupation of American producers to reach the really "big" market in Europe—that of the expanding middle class. And there is an important political dividend to be gained through this economic activity on both sides of the Atlantic. We are proving to the Free World—and to everyone else who wants to look—that free enterprise is not something only Americans can afford. ■

IN THE UNITED STATES there is one motor vehicle for every three persons, as compared to one vehicle for every 740 persons in Russia.



Dept. of Better Mousetraps



From the World of Industry: an inkless rubber stamp . . . canned Coca-Cola . . . do-it-yourself floor tiles, packaged with a phonograph record to give instructions for installation . . . a lettuce-wrapping machine which wraps 60 heads a minute . . . bottled liquid nylon . . . dresses sold by car dealers to match hues of 1955 cars . . . an electronic eye to count dust particles or germs in the air at the rate of 100 per second . . . a tiny electronic scale the size of an electric shaver which registers 20 tons . . . an attachment to make conventional phonographs sound like high fidelity units . . . a storage battery the size of a postage stamp . . . a device which counts a million objects a second . . . and, a portable radio with a 45 rpm turntable built into the tuning dial.

* * *

Kitchen Kuties: cans of French-fried grasshoppers, preserved rosebuds and pickled corn silk . . . a heat-conducting potato skewer to cut down baking time by 40 minutes . . . ice cubes with hourglass openings which cool liquids quicker . . . and a pill that turns a glass

of water into a carbonated soda pop.

* * *

Golfer's Gimmicks: a barometer which reports dry course, wet course, stay in the clubhouse or don't bother leaving home . . . and, a golf club with a Fiberglas shaft which, by cutting vibration, it is claimed, reduces error by as much as one-half.

* * *

Around the House: an aluminum awning which cools the room up to 17 degrees . . . linoleum sprinkled with gold chips . . . electric scissors . . . a garbage can spray which disinfects, deodorizes and repels insects . . . a magnetic latch to hold even warped doors securely . . . a glass fireplace screen which radiates heat evenly and reduces chimney loss . . . a furniture polishing mitt with the polish in the glove . . . a clear liquid applied to bathtubs to prevent slipping . . . a do-it-yourself haircutting kit . . . an electrically heated lunch pail . . . and a handbag-parakeet cage combination for traveling bird lovers—or for birds who love to travel. ■

